Seagram

ANNUAL REPORT 1997

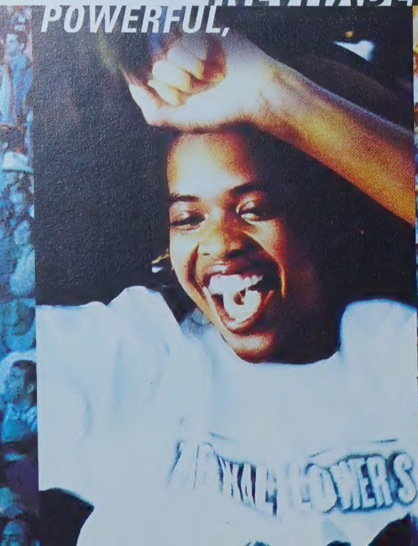
FROM OSAKA TO CAPETOWN,

NEW YORK TO BANGKOK,
LONDON TO BEIJING,


IT IS COMING TOGETHER.

A GLOBAL

POWERFUL, INEVITABLE, EVER-EXPANDING...




CULTURE.
A GLOBAL MARKET.
Tropicana
Duo

PEOPLE SHARING THE SAME EXPERIENCES,
STRIVING FOR THE SAME GOALS,

ENTERTAINING THEMSELVES
IN MUCH THE SAME WAYS.

MORE AND MORE,


IT IS BECOMING ONE WORLD...
OUR WORLD,
CHIVAS REGAL
SCOTCH
WHISKY


Seagram
Distillers
Since 1857
INTEGRITY
CRAFTSMANSHIP
TRADITION
SEAGRAM.

LETTER TO OUR SHAREHOLDERS

The Seagram Company Ltd.'s *purpose* is to create long-term growth for our shareholders, by serving our communities and constituencies with integrity; by recruiting, guiding and developing the highest quality *people* with the highest standards; and by making and marketing competitively superior *products* to consumers throughout the world.

Fiscal 1997 was a year of significant progress for Seagram. Each of our businesses achieved growth in EBITDA through improved margins and stronger consumer marketing. In addition, Seagram strengthened its management in all business units and refined its operating strategies, allowing us to point with confidence to the future.

This past year was the first full fiscal year in which we operated our new mix of businesses — businesses which we believe offer compelling, quality products with unique market positions to consumers around the globe, thereby offering Seagram's shareholders the opportunity for further expansion and growth.

In each of our businesses, we improved our return on capital and our cash flows, while enhancing the quality of our brands and products and their relationship with our consumers and customers. In each of our businesses, we strengthened our management teams and the systems and business processes which support them. And in each of our businesses, we identified areas of additional growth and are making the investments necessary to seize those opportunities.

As a result of our continued focus upon these business principles, we are pleased to report improved financial performance in fiscal year 1997. EBITDA rose 10 percent to $1.65 billion as Universal Studios, Inc., The Seagram Spirits And Wine Group and Tropicana Beverage Group (formerly The Seagram Beverage Group) all reported growth. Of the Company's aggregate revenue increase of $515 million, $145 million, or 28 percent, translated to EBITDA. Our core entertainment and beverage businesses operated more efficiently in difficult competitive environments.

International revenues continue to grow and accounted for over 40 percent of total Company revenues in 1997. With Spirits And Wine already a global business and with Universal and Tropicana aggressively pursuing growth opportunities abroad, we expect international revenues and profits to accelerate substantially in the years ahead. While each of our businesses faces separate challenges in doing so, increasing our revenues and income from markets outside North America remains an imperative, as well as a vast opportunity for Seagram.

We are confident that we can build upon all that we accomplished this past year. Our key brand franchises in Spirits And Wine and at Tropicana are strong, while at Universal the programs and management we have put in place have resulted in clear improvement in each of its businesses. Additionally, reengineering has made, and will continue to make, a discernible difference across all our operations.

Our confidence arises both from the increasing strength of our businesses as well as our sound financial condition. Our balance sheet, a strong one at the start of the year, grew even stronger. At fiscal year-end 1997, net debt outstanding was $2.2 billion, compared to $4.1 billion at the start of the year. Net debt as a percentage of total capital is currently 17 percent, compared to 27 percent a year ago. Proceeds from several asset sales helped to reduce debt during the year. In May 1997, Seagram sold 30 million shares of Time Warner Inc. for $1.4 billion pretax, realizing an after-tax gain of $100 million, or $0.27 per share. Seagram still owns 26.8 million Time Warner shares with a current market value of approximately $1.4 billion. Additionally, in July 1996, Seagram sold 156 million equity warrants back to E.I. du Pont de Nemours and Company for $500 million, realizing proceeds of $479 million

INCOME HIGHLIGHTS

U.S. Dollars in Millions, Except Per Share Amounts	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
REVENUES	$ 12,560	$ 5,013	$ 9,747	$ 6,399
EBITDA*				
Beverages				
Spirits and Wine	$ 813	$ 250	$ 763	$ 809
Fruit Juices and Other	235	72	196	159
Total Beverages	1,048	322	959	968
Entertainment				
Filmed Entertainment	373	176	240	
Music Entertainment	72	(24)	59	
Recreation and Other	158	44	121	
Total Entertainment	603	196	420	
Total EBITDA	$ 1,651	$ 518	$ 1,379	$ 968
OPERATING INCOME	$ 933	$ 179	$ 584†	$ 725
INCOME BEFORE DISCONTINUED DUPONT ACTIVITIES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ 502	$ 85	$ 174	$ 194
Discontinued DuPont activities, after tax	–	–	3,232	617
Cumulative effect of accounting change, after tax	–	–	–	(75)
Net Income	$ 502	$ 85	$ 3,406	$ 736
EARNINGS PER SHARE				
Net income before discontinued DuPont activities and cumulative effect of accounting change	$ 1.36	$ .23	$ .46	$ .52
Discontinued DuPont activities, after tax	–	–	8.67	1.66
Cumulative effect of accounting change, after tax	–	–	–	(.20)
Net Income	$ 1.36	$ .23	$ 9.13	$ 1.98

d January 31, 1996 includes the results of Universal and the juice beverage business acquired from Dole for seven months and eight months,

ttributed earnings before interest, taxes, depreciation and amortization (EBITDA) which includes the proportionate share of the EBITDA of the

on charge related to reengineering activities

after-tax. In December 1996, the Company sold The Putnam Berkley Group, Inc., its publishing division, for $330 million, recording a $64 million pretax gain.

Proceeds from these dispositions also helped fund the Company's continuing repurchase program of Seagram's shares. During our fiscal year ended in June, we repurchased 11.3 million common shares in open market transactions for $416 million, at an average price of $36.78 per share. In May, the Board of Directors increased the authorization to repurchase the Company's shares to 10 percent of the public float (representing 26.3 million shares) and the Board has renewed this authorization for another 12-month period. The Company has continued to aggressively repurchase its shares during the first quarter of fiscal year 1998.

In October 1996, the Board of Directors declared a 10 percent increase in the quarterly dividend to U.S. 16.50 cents per share.

Among the highlights this past year:

• Entertainment attributed revenues increased nine percent to $6.5 billion and EBITDA rose 10 percent to $603 million. Excluding Putnam, sold in December 1996, EBITDA would have increased 13 percent.

• Universal Music Group's EBITDA grew to $72 million in 1997 from $24 million in 1996. The Group benefited from a strong performance at Interscope Records (50 percent interest acquired in February 1996). Universal's share of current albums sold in the U.S. for the first six months of calendar 1997 rose to 14.6 percent from 8.1 percent over the same period in 1996. International market share also increased slightly over the same period. Universal Music Group expanded its operations to Latin America, bringing the total to 28 territories where the Group has its own companies. This represents 93 percent of the world music market.

• Universal Pictures had several outstandingly successful theatrical releases, including *The Lost World: Jurassic Park, Liar Liar* and *The Nutty Professor.* These films also performed well above expectations in overseas markets. In July 1997, Universal completed its acquisition of a majority interest in October Films, an independent distributor of motion pictures.

• Universal Television Group's '97–'98 season includes 17 series on network and cable television, including those produced by Brillstein-Grey Entertainment (50 percent owned by Universal). Additionally, *Hercules: The Legendary Journeys* and *Xena: Warrior Princess* now run neck and

"OUR CONFIDENCE ARISES BOTH FROM THE INCREASING STRENGTH OF OUR BUSINESSES AS WELL AS OUR SOUND FINANCIAL CONDITION."

neck for the position as the top-rated, first-run weekly syndication series in the U.S. Universal also acquired the assets of Multimedia Entertainment in November 1996 and gained the rights to several hit syndicated talk shows such as *Sally Jessy Raphaël* and *The Jerry Springer Show* and three locally-produced international talk shows.

• Universal Studios Recreation Group had a strong year. Attendance rose 18 percent at Universal Studios Hollywood and four percent at Universal Studios Florida. Within the past year, the Group and its partner in Universal Studios Florida, The Rank Group Plc., began construction on Universal's Islands of Adventure in Orlando, scheduled to open in 1999; and continued to develop Universal Studios Japan in Osaka, scheduled to open in 2001. In a recreation-related business, SEGA GameWorks, our venture with SEGA Corporation of Japan and DreamWorks SKG, opened its first location-based entertainment centers in the U.S. in Seattle; Las Vegas; and Ontario, California.

• Tropicana Beverage Group performed exceptionally well. EBITDA increased 14 percent to $235 million on a four percent revenue gain to $2.1 billion. Tropicana celebrated its 50th anniversary in 1997 and strengthened its position as the world's leading juice business. Its principal product, Tropicana Pure Premium, extended its leadership position in the U.S. not-from-concentrate orange juice category to a 71 percent share, up from 69 percent at the end of 1996. The Group's purchase of Dole juice beverages in 1995 continues to accelerate international growth. International revenues comprise 16 percent of Tropicana Beverage Group's total revenues. The Group successfully introduced several new products in 1997, significantly improved its overall margins and began construction of a $17 million research and development center in Bradenton, Florida.

• The Seagram Spirits And Wine Group's EBITDA increased eight percent to $813 million, a performance which clearly outpaced the industry. While revenues declined modestly from the prior period, the North American market remained strong as several brands, most notably Crown Royal Canadian Whisky, Captain Morgan Rum and Absolut Vodka, achieved solid volume growth as well as pricing gains. Pricing and volumes in Europe and Asia Pacific continue to suffer due to a soft marketplace and increased competition; revenues and profits were lower in both regions.

• The Seagram Spirits And Wine Group directed a higher portion of its brand marketing support to advertising in 1997 and plans to do so again in 1998. The Group's top 15 brands, representing over 65 percent of total revenues, will continue to be the primary focus of consumer advertising.

"OUR MANAGERS HAVE RESPONDED WELL TO THE
RETURN ON ASSETS AND CAPITAL IN INCREASINGLY COMPETITIVE
PROUD OF, THEIR EFFORTS TO DRIVE

• The Seagram Chateau & Estate Wines Company reported strong revenue and EBITDA growth. This performance was due, in part, to the consolidation of Seagram's U.S. wine operations.

Our progress in 1997 resulted partially from a rigorous evaluation of our asset mix, our current business practices and our growth strategies. While this evaluation is by no means complete, Seagram emerged from this past fiscal year a more efficient, cohesive and profitable company. Our managers have responded well to the challenges of achieving improved operating margins and return on assets and capital in increasingly competitive markets. We are grateful for, and proud of, their efforts to drive Seagram's growth in the months and years ahead.

Two competitive issues developed during the year which could affect our beverage and entertainment results in fiscal 1998 and beyond.

In the spirits business, two of our largest competitors, Grand Metropolitan Plc. and Guinness Plc., announced in May 1997 that they intend to merge into a new company, GMG Brands. We believe the new company poses serious antitrust problems throughout the world, particularly in the scotch whisky, gin and vodka markets. The proposed merger is now the subject of regulatory review in the U.S., Canada and Europe. Whatever the outcome, we are confident Seagram's product portfolio is a strong one that can compete profitably. We also recognize the need to market our brands aggressively and service our customers and consumers more effectively in what we expect will be an even more competitive global spirits business. We intend to respond to this competitive challenge vigorously so as to continue to grow our spirits and wine business profitably throughout the world.

In entertainment, Seagram has been in litigation with Viacom Inc. over our USA Networks partnership. In May, the Delaware Chancery Court sided with Seagram in ruling that Viacom's ownership of its MTV Networks was a breach both of the USA partnership agreement and of Viacom's responsibility as a partner not to compete with the partnership. Seagram and Viacom were unable to come to a mutually agreeable resolution of the partnership. Subsequently, in June, both parties submitted their own proposals to the Court for an appropriate remedy. The Court's decision may be rendered soon after this report goes to print.

There were several important management changes announced during the year. Steven J. Kalagher was named Chief Executive Officer, The Seagram Spirits And Wine Group, and Ellen R. Marram

HALLENGES OF ACHIEVING IMPROVED OPERATING MARGINS AND ARKETS. WE ARE GRATEFUL FOR, AND EAGRAM'S GROWTH IN THE MONTHS AND YEARS AHEAD."

was named Chief Executive Officer, Tropicana Beverage Group. Both also remain Presidents of their respective operations. Each of their businesses made clear progress during this past year and we believe that under their continued leadership, further growth will be achieved. John R. Preston was named Vice President, Finance and a corporate officer.

Three corporate officers — Stephen E. Herbits, Executive Vice President, Corporate Policy and External Affairs; Edward Falkenberg, Vice President and Controller; and Jeananne K. Hauswald, Vice President and Treasurer — retired. We thank them for their years of service, for their valuable contributions and wish them well in their new endeavors.

There have been changes in our Board of Directors as well. Michele J. Hooper, Corporate Vice President, Caremark International Inc., was elected a director last October. She brings a strong international background which will assist in guiding our global expansion. Paul Desmarais will be retiring from the Board in November 1997. Paul has been an outstanding director and we are most grateful for his wisdom, interest and support over the years. Paul has been a director since 1975 and has served on the Company's Executive, Audit and Human Resources Committees. Three new nominees will stand for election at our Annual Meeting. They are: Laurent Beaudoin, C.C., Chairman and Chief Executive Officer, Bombardier Inc.; Richard H. Brown, Chief Executive, Cable & Wireless, Plc.; and André Desmarais, President and Co-Chief Executive Officer, Power Corporation of Canada. These individuals will add to our Board their valuable perspective as global business leaders and we look forward to working with each of them and to the contributions they will make to our Company.

In addition to thanking our employees for their contributions, we also thank our shareholders for their continued interest and support. We are aware that the financial marketplace has adopted a wait and see attitude with regard to our businesses. We believe, however, that our shareholders' patience, our management's vision and our employees' diligence will be rewarded. As we have reported here, we are proud of the progress we have made in positioning our businesses for solid long-term growth, while we remain keenly aware of the work that is still to be done. We look forward to reporting on our continued progress to you.

On behalf of the Board,

Edgar M. Bronfman

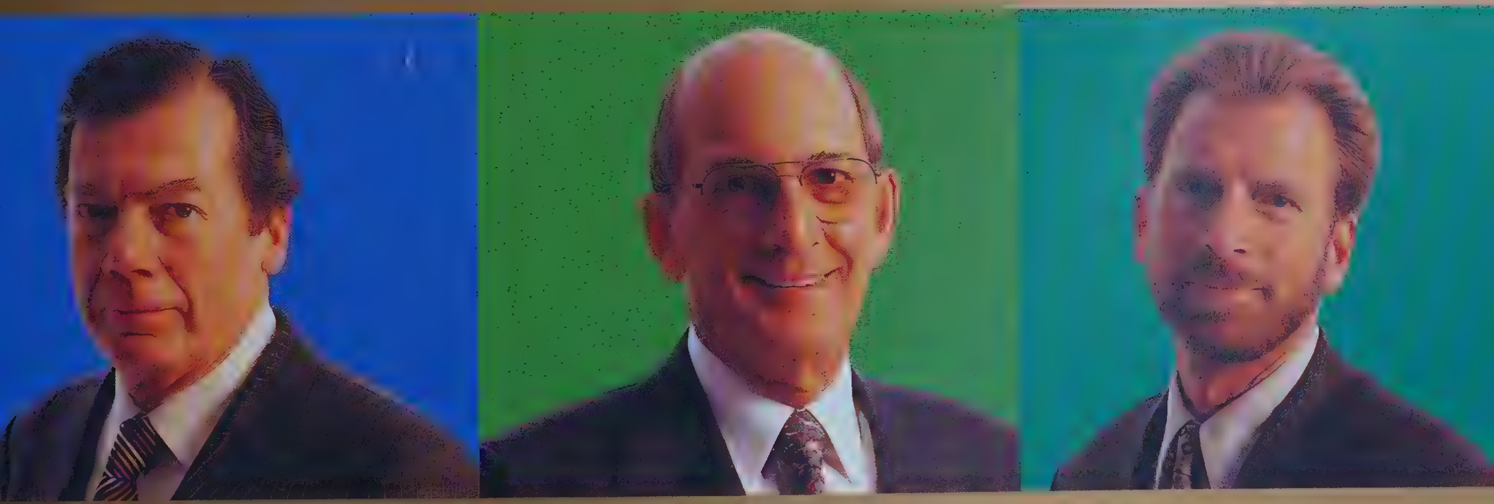
EDGAR M. BRONFMAN
CHAIRMAN

Charles R. Bronfman

CHARLES R. BRONFMAN
CO-CHAIRMAN

EDGAR BRONFMAN, JR.
PRESIDENT AND CHIEF EXECUTIVE OFFICER

August 13, 1997



GROW

WE AT SEAGRAM STAND ON A THRESHOLD, WITH A

IN NEW MARKETS OR ESTABLISHED

YET TO BE FULLY REALIZED. IN THE PAST

OURSELVES TO COMPETE MORE

STREAMLINING OPERATIONS, FILLING OUR

SEIZING OPPORTUNITIES,

SEIZ

MARKET OUR PRODUCTS

REALIZING POTENTIAL

MIX OF **GROWING** BUSINESSES

MARKETS WHERE POTENTIAL HAS

HREE YEARS WE HAVE REENGINEERED

EFFECTIVELY AROUND THE WORLD,

ANKS WITH THE BEST TALENT AVAILABLE,

ND SEEKING TO COLLABORATE AND

CROSS BUSINESS LINES.

COOL IS HOT

With his roguish, fun personality and ability to generate excitement and passion, Captain Morgan is conquering consumers far and wide. At Seagram, he epitomizes a commitment to quality and innovation — Captain Morgan Original Spiced debuted in the U.S. in 1983 and has driven the growth of the specialty rum category.

Over the past five years, spiced rum has shown an accelerating annual rate of double-digit growth, making it one of the fastest growing categories and Original Spiced one of the hottest brands around. In fiscal 1997, sales of Captain Morgan Original Spiced and its flavor extensions in the U.S. totaled 1.3 million cases — up 22 percent from the previous year.

The Captain Morgan family now includes Captain Morgan Original Spiced, Captain Morgan Private Stock, Captain Morgan Silver Spiced and Captain Morgan's Parrot Bay.

The brand's success in the U.S. has been mirrored in South Africa, the U.K. and Canada, and it is set to make a successful landing in Italy. In the U.K., Morgan's Spiced continues to register impressive growth, up 50 percent last year and accounting for well over 70 percent of the spiced rum category, while in South Africa, Spiced Gold is by far the leader in the category.

Ever innovative and in search of new frontiers, Captain Morgan is ready to set sail to new markets around the world.

A SOVEREIGN SPIRIT

The reigning king in the highly competitive North American whiskies market, Crown Royal has reached the milestone two million case mark in U.S. volume. Appealing to a broad audience of loyal consumers, this premium Canadian whisky brand is poised to continue showing positive growth over the coming years.

The super premium line extension, Crown Royal Special Reserve, continues to gain the approval of discerning consumers with current volume exceeding 27,000 cases.

Crown Royal's success can be attributed to the Company's long-term strategic planning efforts, as well as consistent marketing investment. The "Valedictorian" print campaign introduced in 1995 set the stage for Crown Royal to take the lead in ending the distilled spirits producers' voluntary restriction on broadcast advertising in the U.S.

Preferred by consumers who want the utmost in style and quality, Crown Royal has been recognized by trade publications such as *Beverage & Food Dynamics* and *Robb Report* for both its positive growth trend and its "best of" status — quite a crowning achievement!

THE SEAGRAM SPIRITS AND WINE GROUP

From small beginnings in 1924 with a single distillery in Canada, Seagram has grown to become a leading producer and marketer of premium spirits and wine brands in countries all over the world.

The Seagram Spirits And Wine Group has a strong position in the more mature Western economies, while emerging markets such as Russia/CIS, Eastern Europe, Greater China, India and South Africa provide promising growth potential for the Group's premium beverage alcohol brands. In the multibillion dollar global duty free arena, Seagram brands account for 20 percent of all premium spirits sales.

In fiscal 1997, the Group had a strong performance in the Americas where sales of distilled spirits were boosted by a return of the cocktail trend and consumer desires for premium spirits, including Single Malt Whiskies, such as The Glenlivet. Spurring growth were sales gains with several key brands. Captain Morgan Original Spiced Rum and its flavor extensions sold over 1.3 million cases. Driven by excellent growth in the Southern U.S., Crown Royal Canadian Whisky reached the two million case milestone in annual sales, up eight percent. Absolut Vodka, for which Seagram holds distribution rights in the U.S. and major international markets, continues to grow in its U.S. stronghold market.

Taking advantage of distribution synergies in a competitive marketplace, Seagram has refocused its operations by streamlining its U.S. business into three distinct units: Northern Region, Southern Region and Atlantic/Pacific (Control States) Region.

In Asia Pacific, to compete effectively in a rapidly changing business environment, the Group has moved toward a cost-efficient, decentralized organization enabling effective marketing investment in growth brands and developing markets at a local level.

In this region, the Group has centered its marketing efforts on its global Scotch whisky and Cognac brands with an emphasis on premium and super premium qualities. New pan-Asian television advertising campaigns continue to build high awareness of Chivas Regal Scotch Whisky and the superior qualities of Martell Cognac — notably Cordon Bleu.

In the important Japanese market, where international spirits brands have suffered from the recession of recent years, Chivas Regal Scotch Whisky turned in a strong sales performance in 1997, considerably ahead of the competition.

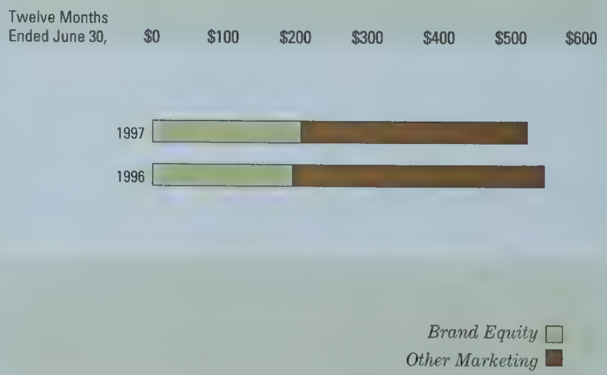
In Europe & Africa, the Group has sharpened its investment focus upon core spirits and wine brands and development markets. Greater emphasis has been placed on Chivas Regal, with substantially increased marketing expenditures in the world's leading premium Scotch whisky and other core brands including Mumm Sekt Sparkling Wines, Four Roses Bourbon, Passport Scotch, and Absolut Vodka. Sales of Absolut Vodka continue to grow strongly in this region.

In the developing markets of Russia/CIS and Eastern Europe, the focus is on global brands. Chivas Regal, for example, is supported by more affordable locally bottled western style beverage alcohol brands that act as a

SPIRITS AND WINE
Twelve Months Ended June 30,

U.S. Dollars in Millions	*1997*	*1996*
Attributed Revenues	$ 5,121	$ 5,199
EBITDA	$ 813	$ 750

SPIRITS AND WINE BRAND SUPPORT
U.S. Dollars in Millions



stepping stone between traditional local products and premium global brands. Both South Africa, with its premium imported spirits focus, and India, where sales of Royal Stag Whisky are driving the portfolio, turned in strong performances in 1997.

As the intense consolidation of retailers continues, particularly in Europe, an International Customer Group has been formed to optimize share and margin for Seagram and its Euro-based multinational customers by leveraging Seagram's spirits and wine brands and services better than the competition.

The Seagram Spirits And Wine Group is dedicated to the development and implementation of integrated and cohesive marketing programs for all its key global spirits brands. Chivas Regal is the Group's key financial driver and steering its continued success in both mature and emerging markets is a cornerstone of the Group's marketing efforts.

In Scotland, the opening in 1997 of the new visitor center at The Glenlivet Distillery marked the completion of the Heritage Program, a major multimillion dollar investment designed to meet consumers' desire for information about the heritage and quality of Seagram's Scotch whisky brands.

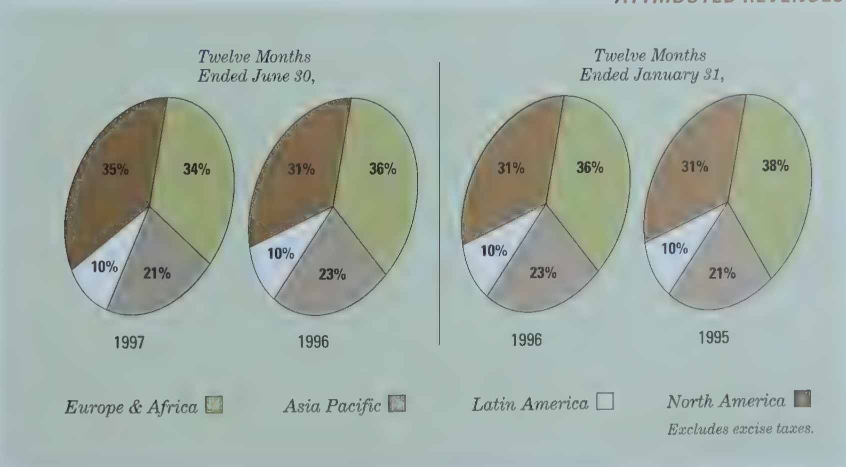
Seeking to leverage the heritage of its premium Scotch whiskies, the Group is ensuring Chivas Brothers is at the forefront of customers' and consumers' minds around the world. Positioned under the generic Chivas Brothers umbrella are the four brands: Chivas Regal, Royal Salute, the recently launched Chivas Brothers 1801 and The Century of Malts which was unveiled in January 1996 and has now been rolled out throughout international duty free and select domestic markets, including the U.S.

In duty free, where beverage alcohol is in direct competition with all types of luxury goods, understanding travelers' retail habits is critical. To this end, Seagram's duty free team has developed its own method of segmenting and reaching consumers through analysis of travel behavior, such as their choice of destination, the reason for their journey and the motivation for their purchase.

Throughout 1997 significant change has taken place in Seagram's spirits and wine operations as they benefit from the implementation of reengineering efforts. In August 1996, the Company merged its U.S. wine operations into The Seagram Chateau & Estate Wines Company. The combined company allows Seagram to streamline distribution and provide better, more efficient service to its customers.

The Seagram Spirits And Wine Group is improving core processes, is more cost-competitive and continues to work towards its goal of becoming a preferred supplier. Customer service centers and financial shared services centers are being established in the three regions of the Americas, Asia Pacific and Europe & Africa; supply chain and logistics efficiencies have been made, and key account management has been streamlined and focused. The goal of all these efforts is to increase profitability and deliver enhanced value to customers and consumers around the world.

SPIRITS AND WINE ATTRIBUTED REVENUES



PORTFOLIO OF BRANDS

The following is a partial, noninclusive listing.

The Seagram Spirits And Wine Group

AMERICAN WHISKEY
Cougar Bourbon
Four Roses Bourbon
Four Roses Black Label Bourbon
Four Roses Single Barrel Reserve Bourbon
Four Roses Super Premium Bourbon
Seagram's 7 Crown

CANADIAN WHISKY
Crown Royal
Crown Royal Limited Edition
Crown Royal Special Reserve
Seagram's 83
Seagram's Five Star
Seagram's V.O.

SCOTCH WHISKY
Benriach 10-year-old
Black Douglas
Chivas Regal 12-year-old
Chivas Brothers 1801
Chivas Brothers The Century of Malts
Glen Grant
Glen Grant 10-year-old
Glen Keith distilled before 1983
The Glenlivet 12-year-old
The Glenlivet 18-year-old
The Glenlivet Archive
Longmorn 15-year-old
100 Pipers
Passport
Queen Anne
Royal Salute 21-year-old
Something Special
Strathisla 12-year-old
Windsor Premier 12-year-old

LOCAL WHISKY
Black Jack
Blenders Pride
Boston Club
Crescent
Dunbar
Emblem
Gold Classic
Imperial Blue
Master Blend
Natu Nobilis
News
Oaken Glow
Regency
Robert Brown
Royal Stag
Secret
Ten Distilleries
Wilson's

COGNAC
Martell V.S. Fine
Martell V.S.O.P. Médaillon
Martell Noblige
Martell Artys
Martell Odys
Martell Napoléon Special Reserve
Martell Cordon Bleu
Martell X.O. Suprême
Martell Extra
Martell Gobelet Royal
Classique de J&F Martell
L'Or de J&F Martell
Création de J&F Martell
L'Art de Martell

BRANDY
Blandice
Capa Negra
Chatelain
Chemineaud
De Valcourt
Imperial
Macieira
René Briand
The Don

GIN
Boodles
Burnett's
Seagers
Seagram's Extra Dry
Seagram's Lime Twisted

VODKA
Alexander
Indigo
Nikolai
Orloff

RUM
Cacique
Captain Morgan
Captain Morgan Original Spiced
Captain Morgan Private Stock
Captain Morgan Silver Spiced
Captain Morgan's Parrot Bay
Morgan's Spiced
Spiced Gold
Centenario
5 Estrellas
Diplomático
Montilla
Myers's
OVD
Ronrico

TEQUILA
Mariachi
Olmeca

LIQUEUR
Godiva

SCHNAPPS
Dr. McGillicuddy's

SHOOTERS
Dr. McGillicuddy's

PRE-MIXED
Four Roses & Cola
Seagram's Gin & Juice

Chivas Regal Enjoyed in more than 150 countries and with sales of [illegible] cases, Chivas Regal is the world's leading premium Scotch whisky and one of the few truly global spirits brands.

Odys and Artys Martell, oldest of the major Cognac houses, has launched two duty free exclusives. Positioned as contemporary classics, Odys and Artys appeal to a new generation of duty free consumers.

OTHER
Toconao Sour

CHAMPAGNE
Mumm Cordon Rouge N.V.
Mumm Cordon Rouge Vintage
Mumm Cordon Rosé N.V.
Mumm Cordon Vert
Mumm Grand Cordon
Mumm de Cramant
Perrier-Jouët Grand Brut
Perrier-Jouët Grand Brut Millésime
Perrier-Jouët Blason de France
Perrier-Jouët Blason de France Rosé
Perrier-Jouët Belle Epoque Vintage
Perrier-Jouët Belle Epoque Rosé Vintage

SPARKLING WINE
Casa del Valle
Cuvée Mumm
Domaine Mumm
Maschio
Matheus Müller Sekt
Monitor
Mumm Cuvée Napa
Mumm Sekt
Raposeira

SHERRY
Sandeman Dry Seco
Sandeman Medium Dry
Sandeman Rich Cream
Sandeman Don Fino
Sandeman Character
Sandeman Armada
Sandeman Royal Corregidor
Sandeman Soléo

PORT
Sandeman Original Rich Ruby
Sandeman Original Fine White
Sandeman Founders Reserve
Sandeman Imperial Aged Reserve Tawny
Sandeman 20-year-old Tawny
Sandeman Late Bottled Vintage
Sandeman Vintage
Sandeman Quinta do Vau - Single Quinta Vintage

WINE
Almadén
Barton & Guestier
Forestier
Sterling Vineyards
The Monterey Vineyard

SELECTED AGENCY BRANDS
Absolut Vodka
Bianchi (Argentina)
Citronge (U.S.)
Cointreau (Venezuela)
Concha y Toro (Colombia)
Grand Marnier (Brazil)
Jim Beam (Germany)
Patrón (U.S.)
Patrón XO Café (U.S.)
San Telmo (Argentina)
Stolichnaya (Greece)

Seagram Chateau & Estate Wines Company

CHAMPAGNE
Mumm
Perrier-Jouët

SPARKLING WINE
Mumm Cuvée Napa

SHERRY/PORT
Sandeman

WINE
Sterling Vineyards
Barton & Guestier
The Monterey Vineyard
Tessera

SELECTED AGENCY BRANDS
Dominus Estate
F.E. Trimbach
Castello d'Albola
Château Lafite-Rothschild
Château Mouton Rothschild
Château Latour
Château Margaux
Château Haut Brion
Château Petrus
Château Gruaud-Larose
Château Talbot
Château Meyney
Château Greysac
Château La Cardonne
Château Larose-Trintaudon
Château de La Chaize, Brouilly
Domaine Bonneau du Martray, Corton Charlemagne
Les Charmes, Mâcon-Lugny

Absolut Citron Launched in the U.S. in 1988, Absolut Citron is driving the rapidly evolving flavored vodka sector with almost 50 percent market share and is already a brand in its own right.

Seagram's Gin In the U.S., Seagram's Extra Dry Gin is the number one brand of Gin, outselling numbers two and three combined, and is the third largest spirits brand overall.


Tropicana

DELICIOUS, NUTRITIOUS, PERFECT!

Tropicana Pure Premium is the category leader for one simple reason: it's better. Since its introduction in 1954, Tropicana Pure Premium has transformed the breakfast habits of millions of people worldwide by offering the fresh taste of 100% pure squeezed orange and grapefruit juices.

In the U.S., every third glass of chilled orange juice consumed is Tropicana Pure Premium. It's the sixth best-selling grocery store brand across all categories sold. In markets like New York, where people grew up drinking Tropicana Pure Premium, it is the number one-selling grocery store brand.

Tropicana holds a leadership position in chilled juice in Canada, the U.K., France and Taiwan, and is quickly reaching that status in most countries entered during the past few years.

Every day, 35 million oranges are used to bring Tropicana Pure Premium to households worldwide, and in 1997, the world will consume some 4.4 billion glasses!

TROPICANA BEVERAGE GROUP

Tropicana Beverage Group produces, markets and distributes Tropicana and other branded fruit juices, Seagram's Mixers, Seagram's Coolers and other low-alcohol adult beverages, as it satisfies consumer demand for high quality, great-tasting beverages around the world.

Tropicana achieved its leadership position by building the strongest brand equity in orange juice while introducing revolutionary new methods of processing, packaging and distribution. Through a strong understanding of consumer preferences and dedication to customer focus and service, Tropicana today is the world leader in juice.

In the very fragmented world juice market, Tropicana is the only truly international juice business, and last year captured almost six percent share. With the best brands and developing operating networks on several continents, Tropicana has a significant platform for growth.

Seagram first entered the fruit juice business in 1988, when it bought Tropicana Products, Inc. In 1995, Seagram strengthened its position through the acquisition of the Dole Food Company's global juice business, excluding its canned pineapple juice business. This purchase provided Tropicana with the Dole brands in both North America and China and Dole, Fruvita and Looza brands in Europe. Today, with $2 billion in sales in 20 countries, Tropicana and other branded juice products are produced in major U.S. juice processing and packaging operations in Florida and in California, as well as company facilities in France, Belgium and mainland China.

In North America, Tropicana grew revenues by seven percent, fueled by the strong growth of its flagship brand, Tropicana Pure Premium. In the U.S., with 71 percent share of the highest-quality not-from-concentrate market, Tropicana Pure Premium is the gold standard for orange juice. Tropicana holds a 40 percent share of the U.S. chilled orange juice market—about twice that of the number two competitor.

Strong consumer support, line extensions and promotional activities continue to strengthen brand equity and build Tropicana's business in North America. The "Perfect" advertising campaign for Tropicana Pure Premium, which focuses on product quality and consumers' commitment to the brand, has helped build share levels. In 1997, two new Tropicana Pure Premium line extensions — Tangerine Orange and Grovestand Grapefruit — were introduced and have gained strong consumer acceptance.

The Dole juice business also grew. Three new "red juice" products: Dole 100% Vegetable, Spicy Vegetable and Tomato

TROPICANA BEVERAGE GROUP
Twelve Months Ended June 30,

U.S. Dollars in Millions	*1997*	*1996*
Attributed Revenues	$ 2,113	$ 2,035
EBITDA	$ 235	$ 206

juices were introduced into the "away-from-home" channels. Also new this year was a line of Tropicana frozen dessert bars produced by Integrated Brands.

Tropicana teamed with Universal on a promotion for *The Lost World: Jurassic Park* for the first under-the-cap instant-win contest in the chilled juice business. In October 1996, Tropicana announced an agreement to rename the ThunderDome in St. Petersburg, Florida "Tropicana Field," when Major League Baseball's Tampa Bay Devil Rays begin their inaugural season in 1998.

In Canada, where it was launched in 1991, Tropicana became the fifth largest grocery brand, and achieved over a 56 percent share of the chilled orange juice market.

Tropicana North America continued to make investments in logistics and customer service. A new midwest distribution center was opened, served by a Bradenton-to-Cincinnati juice train. It also expanded its industry leadership in continuous replenishment programs, providing customers with both inventory savings and dependable product availability.

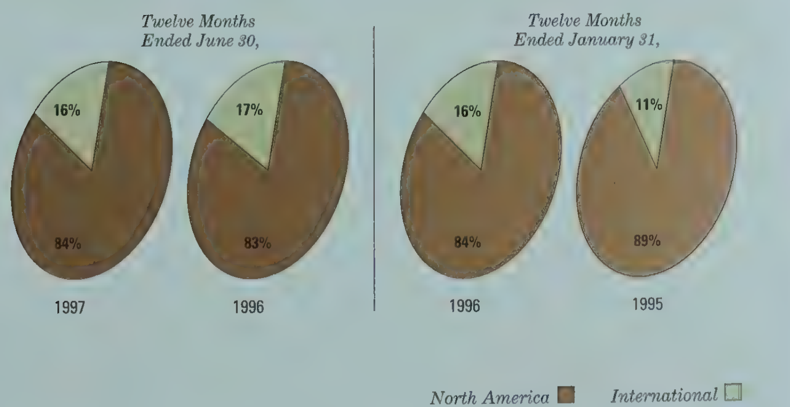
Continuing its commitment to product innovation and quality, Tropicana broke ground in May in Bradenton for a $17 million, 69,000 square foot research and development center and pilot plant.

Tropicana continues to make strides internationally. In France, Tropicana maintained over a 60 percent share of the chilled juice market despite new competitive entries. The U.K. posted strong growth, achieving a 65 percent share of the chilled not-from-concentrate market. Tropicana entered an alliance with Muller Dairy (U.K.) Ltd. for distribution of Tropicana Pure Premium within the independent and convenience sectors. In late spring, Tropicana launched into Portugal, its first Southern European market.

In Asia, Tropicana posted solid volume growth in all markets. New Dole juice products were introduced into China, with production coming from the China plant. Recognizing the enormous potential of China, Tropicana is involved in bringing state-of-the-art citrus growing techniques to the Chinese agricultural sector. Growth in the Japanese and Taiwan businesses resulted from successful expansion of the "away-from-home" channels, using single serve formats.

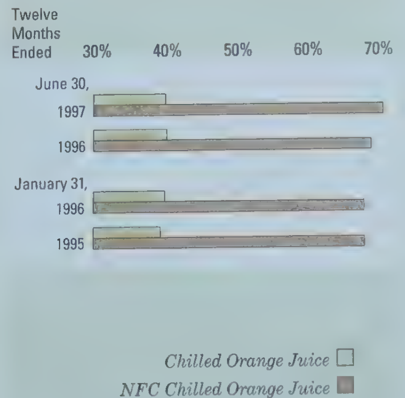
At The Seagram Beverage Company, Seagram's Mixers posted strong gains. Two new Seagram's Coolers line extensions — Ruby Red Seabreeze and Wild Orange Strawberry Passion — were launched. The company also completed a successful first full year as the exclusive U.S. importer and marketer of Grolsch, Holland's leading premium beer.

TROPICANA BEVERAGE GROUP ATTRIBUTED REVENUES



TROPICANA U.S. MARKET SHARE

Percent of U.S. Dollar Share



TROPICANA BEVERAGE GROUP PORTFOLIO OF BRANDS

Tropicana North America

TROPICANA PURE PREMIUM JUICES

Original Orange
Grovestand Orange
HomeStyle Orange
Ruby Red Orange
Golden Grapefruit
Ruby Red Grapefruit
Grovestand Ruby Red Grapefruit
Tangerine Orange
Calcium and Extra Vitamin C
Vitamin C and E

TROPICANA SEASON'S BEST JUICES

HomeStyle Orange
Original Orange
Orange Juice Plus Calcium
Orange Juice Plus Vitamins
Apple
Grape
Cranberry Medley
Grapefruit
Orange Pineapple
Ruby Red Grapefruit
Strawberry Orange
Fruit Medley
Citrus Medley

TROPICANA PURE TROPICS JUICES

Orange Kiwi Passion
Orange Peach Mango
Orange Pineapple
Orange Strawberry Banana

TROPICANA JUICE BEVERAGES

Citrus Punch
Fruit Punch
Lemonade
Berry Punch
Cranberry Punch
Pineapple Punch

TROPICANA TWISTER JUICE BEVERAGES

Apple Raspberry Blackberry
Apple Berry Pear
Strawberry Orange Peach
Orange Strawberry Banana
Orange Cranberry
Orange Peach
Orange Raspberry
Cranberry Raspberry Strawberry
Pink Grapefruit Cocktail
Orange Strawberry Guava
Light Cranberry Raspberry Strawberry
Light Orange Cranberry
Light Orange Raspberry
Light Orange Strawberry Banana
Light Pink Grapefruit Cocktail

DOLE JUICES

Mountain Cherry
Country Raspberry
Orchard Peach
Pineapple
Pineapple Orange
Pine-Orange Banana
Pine-Orange Strawberry
Orange Strawberry Banana
Orange Peach Mango
Cranberry Apple
Tropical Fruit
100% Vegetable
Spicy Vegetable
Tomato

Tropicana International

TROPICANA PURE PREMIUM JUICES (CHILLED)

Orange
Orange SmoothStyle
Grapefruit
Ruby Breakfast
Pink Grapefruit
Orange Peach
Orange Pear
Apple
Sanguinello
Pink Grapefruit
Apple Cranberry

TROPICANA 100% PURE JUICES (AMBIENT)

Orange
Grapefruit
Apple
Pineapple
Red Grape
Ruby Breakfast
Orange Grapefruit
Orange Peach
Orange Banana

FRUVITA JUICES

Orange with Pulp
Orange
Grapefruit
Apple

Wild Watermelon Coolers The U.S. cooler market is driven by the introduction of new flavors, such as Seagram's Wild Watermelon Cooler, a summer seasonal product.

Grolsch Grolsch Premium Lager, imported into the U.S. exclusively by Seagram, is distinguished by a nearly 400-year-old Dutch heritage and its signature swing-top bottle.

Red Grape
Lemon
Orange Peach
Orange Pear
Orange Banana
Star Ruby
Sanguinello

DOLE JUICES

Orange with Pulp
Orange
Grapefruit
Apple
Orange Peach
Orange Pear
Orange Banana

KIRIN-TROPICANA JUICES

Orange
Orange Homemade Style
Apple
Grapefruit
Grape
Fruit Blend
Pear
Pure Premium Orange

LOOZA JUICES AND NECTARS

Pineapple
Orange
Grapefruit
Apple Apricot
Apple Cherry
Apricot
Caribbean Blend
Banana
Cranberry
Cherry
Red Grape
Tomato
Tropical
Peach
Mango
Pear
Apple
Apple - unfiltered
Passion Fruit
Blackcurrant
Multivitamin

JUICE BOWL JUICES AND NECTARS

Orange with Pulp
Orange
Apple
Grapefruit with Pulp
Grapefruit
Pineapple
Apricot
Peach
Pear
Tropical
Tomato
Banana
Multivitamin
Red Grape

The Seagram Beverage Company

COOLERS

Wild Berries
Wild Black Cherry
Wild Kiwi Strawberry
Wild Orange Strawberry Passion
Wild Watermelon (Seasonal)
Wild Winterberry (Seasonal)
Fuzzy Navel
Margarita
Ruby Red Seabreeze
Strawberry Daiquiri

MIXER FLAVORS [illegible]

Seagram's Ginger Ale
Seagram's Diet Ginger Ale
Seagram's Raspberry Ginger Ale
Seagram's Diet Raspberry Ginger Ale
Seagram's Tonic Water
Seagram's Diet Tonic Water
Seagram's Club Soda
Seagram's Original Seltzer
Seagram's Black Cherry Seltzer
Seagram's Lemon Lime Seltzer
Seagram's Orange Seltzer
Seagram's Raspberry Seltzer

[illegible]

Grolsch (agency brand)
- Premium Lager
- Amber Ale

Devil Mountain
- Five Malt Ale
- Black Honey Ale
- Mountain Honey Wheat

Fruvita In France and Belgium, Fruvita is the number one chilled juice, thanks to superior quality and unique flavor varieties such as Sanguinello.

Ruby Red Grapefruit To ma[illegible] ble to consum[illegible] launched into conve[illegible]

LEGENDARY STRENGTH

Out of the mists of ancient mythology spring today's most popular television hero and heroine, Hercules and Xena. Their exploits are distributed worldwide by Universal Television Enterprises. Crafted by action filmmakers Robert Tapert and Sam Raimi, *Hercules: The Legendary Journeys* and its spin-off, *Xena: Warrior Princess*, were immediate hits when they were introduced as weekly series in 1995.

Hercules and *Xena* rank as the number one and number two action-adventure hours in syndicated television and have consistently been in the lead among younger demographic groups. Both of the top-rated syndicated series are seen by more than 10 million people weekly in the U.S. and by millions more in the 50-plus countries where the programs air.

Television isn't the only Universal division capitalizing on the success of *Hercules* and *Xena*. In the summer of 1997, Universal Studios Florida debuted a mammoth interactive "live" attraction, *Hercules & Xena: Wizards of the Screen*. In October 1997, Universal Studios Home Video will release the full-length animated direct-to-video feature, *Hercules & Xena – The Animated Movie: The Battle for Mount Olympus*, featuring the voices of the shows' stars, Kevin Sorbo and Lucy Lawless. Universal Studios Consumer Products Group has licensed a variety of *Hercules* and *Xena* merchandise – ranging from apparel, collectibles, the interactive realm and home furnishings to toys, swords, gifts, stationery, phone cards and publishing.

DINO-MITE!

There are very few true brand franchises in Hollywood. *Jurassic Park* is one of them.

In 1990, Universal purchased the movie rights to Michael Crichton's novel (then in galley form), which went on to become an international bestseller. Three years later, *Jurassic Park*, the movie, an Amblin Entertainment production directed by Steven Spielberg, was released by Universal Pictures and became the highest-grossing motion picture of all time. The 1993 film also fueled many cross-division promotions and consumer products campaigns, setting records in many categories, including theatrical, home video and publishing. *Jurassic Park: The Ride* opened the summer of 1996 at Universal Studios Hollywood and sparked a 35 percent attendance increase at the theme park.

The movie sequel, *The Lost World: Jurassic Park*, was released by Universal in May 1997, grossing an unprecedented $92 million during its opening weekend. The film grossed over $450 million in its first three months of worldwide release, spawning an extensive licensing program and sparking significant promotional partnerships with many companies, including Universal's sister company, Tropicana.


JURASSIC

UNIVERSAL STUDIOS, INC.

Universal Studios has evolved into one of the world's most diversified international entertainment companies. Universal's ongoing dedication to keeping pace with new technologies, changing audience tastes, emerging markets and global demands, drives the company's strategic commitment to growth and diversification and shapes its role as a leading-edge provider of quality entertainment.

In December 1996, MCA INC. changed its corporate name to Universal Studios, Inc., reinforcing the fact that "entertainment is Universal" and reflecting the company's unified vision for the 21st century.

Today, Universal's strong management team is focused on rebuilding and expanding the unit's core businesses of motion pictures, television, music and recreation. Laying the groundwork for further international expansion through strategic investments and direct partnerships, Universal is maximizing distribution opportunities for its vast library of over 17,000 television and 3,500 theatrical titles, utilizing the newest global distribution technologies.

Capitalizing on the tremendous worldwide appetite for entertainment programming, Universal Pictures moved up to third place in theatrical domestic market share. While accomplishing this turnaround, the Group refocused its business strategy to include third-party financiers, co-producers and co-investors in the U.S. and in Japan, Europe, the U.K., Latin America and Australia. At the same time, Universal diversified its film portfolio by acquiring a majority interest in October Films, the highly-regarded specialty film company.

In May, Universal Pictures released the event movie of 1997, *The Lost World: Jurassic Park*, which grossed an unprecedented $92 million in its opening weekend and grossed over $450 million in its first three months of worldwide release. In addition, Universal achieved breakout success with *Liar Liar*, which has grossed over $280 million worldwide, ranking the film as one of the highest-grossing releases in 1997.

Universal Pictures' upcoming slate of high-profile event films with global appeal includes: *The Jackal*, starring Bruce Willis, Richard Gere and Sidney Poitier; *The Boxer*, starring Daniel Day-Lewis; *Mercury Rising*, starring Bruce Willis and Alec Baldwin; *Primary Colors*, starring John Travolta, Emma Thompson, Kathy Bates and Billy Bob Thornton; *Out of Sight*, starring George Clooney; *Meet Joe Black*, starring Brad Pitt and Anthony Hopkins; *Hulk*, based on the Marvel Comics character; and *Babe In Metropolis*, the sequel to the global phenomenon *Babe*.

With an ever-growing consumer demand for sell-through video product, Universal Studios Home Video generated strong sales with *The Nutty Professor* and the ongoing direct-to-video feature-length animated sequels to *The*

UNIVERSAL STUDIOS, INC.
Twelve Months Ended June 30,

U.S. Dollars in Millions	*1997*	*1996*
Attributed Revenues	$ 6,514	$ 5,951
EBITDA	$ 603	$ 550

Land Before Time. Two major video titles priced for sell-through are coming from Universal in the fall of 1997: *The Lost World: Jurassic Park* and *Liar Liar.*

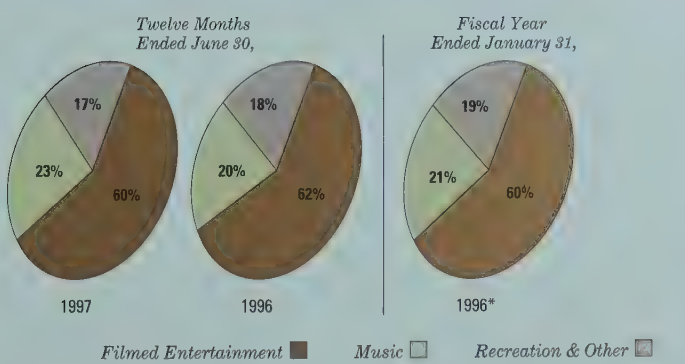
The top-ranked, highly successful syndicated television action hours, *Hercules: The Legendary Journeys* and *Xena: Warrior Princess,* are distributed by Universal Television Enterprises and continue to outperform the competition and set ratings highs. Brillstein-Grey Entertainment, producer of such critically acclaimed series as *The Larry Sanders Show,* which was nominated for 16 Emmy® Awards, and *NewsRadio,* expands Universal's presence in the half-hour comedy arena. *Law & Order,* nominated for an Emmy® Award as best drama series, is the longest-running drama currently on television.

Universal has gained a significant presence in the syndicated talk show business with such successful, long-running series as *Sally Jessy Raphaël* and *The Jerry Springer Show,* and the locally-produced, popular international talk shows, *Catherine* (The Netherlands); *Vera am Mittag* (Germany); and *Vanessa* (U.K.). Underscoring the diversity and value of Universal Television's extensive library, in 1997 the Group signed long-term licensing agreements in the U.K., France, Poland and Scandinavia.

Universal Music Group continued to invest in new artists and labels and, with the prior year acquisition of Interscope Records, moved up to first place in current album market share during the year and held that position for four straight weeks during the all-important fourth quarter for music retailing. From late November 1996 through the middle of February 1997, Universal Music Group artists occupied the number one spot on the *Billboard 200* Album Chart for 14 consecutive weeks. Each of the Group's record labels contributed to its strong performance. A highlight of Interscope Records' impressive year was simultaneously achieving all four of the top positions on the pop charts (the first time this has been done by a label in 20 years); MCA Records had three number one albums; MCA Nashville continued its dominance within country music, led by George Strait's number one album on the Pop and Country charts; Geffen Records had two number one albums and one of the year's most critically acclaimed artists, Beck, and new label Universal Records produced the multiplatinum break-out success of Erykah Badu. Other chart-topping Universal Music Group artists include Mary J. Blige, No Doubt, Bush, Reba McEntire, BLACKstreet, Counting Crows, The Wallflowers, Live and New Edition.

International expansion remains a primary driver for the continued growth of Universal Music Group which maintains operations in a total of 28 foreign territories, covering 93 percent of the world music market. Universal Music International's recent successes with local signings include

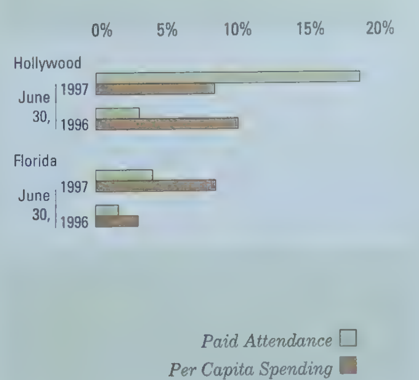
UNIVERSAL STUDIOS, INC. ATTRIBUTED REVENUES



**Universal results in fiscal year ended January 31, 1996 are from date of acquisition June 5, 1995.*

UNIVERSAL THEM ATTENDANCE AND PER CAPITA SPEND

Year Over Year % Increase



such multiplatinum artists as Rosana (Spain), Ocean Colour Scene (U.K.), Luna Sea (Japan), Aqua (Denmark) and Claudinho & Buchecha (Brazil).

MCA Music Publishing ranks as one of the top six multinational music publishing companies, with a broad catalog of over 150,000 copyrights. In 1997, the company acquired the copyrights held by All-Nations Music, which included 13 Pop, 30 R&B and 35 Country Top 10 hits.

Universal Studios Recreation Group's strong performance was sparked by the opening of two new attractions at its theme parks. During the summer of 1996, Universal Studios Hollywood experienced a 35 percent jump in attendance with the opening of *Jurassic Park: The Ride.* Attendance at Universal Studios Florida set new records during the same period, rising 10 percent with the addition of the *Terminator 2: 3-D* attraction.

In May 1997, Universal Studios unveiled further details of Universal City Florida, a joint venture with The Rank Group Plc., which will include Universal Studios Florida and a second gated attraction, Universal's Islands of Adventure. Scheduled to open in Orlando in 1999, Islands of Adventure will be home to five dedicated themed islands in addition to several premier hotels, on its 440 acres. Universal Studios Japan, to be built in conjunction with Rank, the city of Osaka and local businesses, is scheduled to open in Osaka in 2001.

In other Universal business, Spencer Gifts, a chain of specialty gift stores, marked its first expansion beyond the contiguous U.S., opening four stores in Hawaii in May 1997 and one in the West Edmonton Mall in Canada in July 1997.

Universal Studios Home Video releases an array of popular products, including the blockbuster comedies *The Nutty Professor* and *Liar Liar* and the direct-to-video sequels to *The Land Before Time.*

Universal Logo The new Universal Studios logo was introduced in December 1996, representing the richness of the company's legacy and its unified vision for the 21st century.

UNIVERSAL STUDIOS PORTFOLIO OF BRANDS

Filmed Entertainment

UNIVERSAL PICTURES

Dante's Peak
Liar Liar
The Lost World: Jurassic Park
The Jackal
For Richer or Poorer
The Boxer
Primary Colors
Mercury Rising
Meet Joe Black
Babe In Metropolis
Blues Brothers 2000
Hulk

UNIVERSAL STUDIOS HOME VIDEO

Babe
E.T. — The Extraterrestrial
Jurassic Park
The Lost World: Jurassic Park
Hercules & Xena — The Animated Movie: The Battle for Mount Olympus
Liar Liar
The Nutty Professor
Alfred Hitchcock Collection
Universal Classics Monsters Collection
The Land Before Time (series)
An American Tail (series)
Wee Sing (series)

UNIVERSAL TELEVISION GROUP

Series:

Alright Already
Casper
Coach
The Steve Harvey Show
Hercules: The Legendary Journeys
Just Shoot Me
Law & Order
The Naked Truth
NewsRadio
New York Undercover
Players
Politically Incorrect
Roar
The Larry Sanders Show
Sliders
Something So Right
Team Knight Rider
Timecop
The Tom Show
Xena: Warrior Princess

Made-for-television movies and mini-series:

A Call to Remember
An Unexpected Life
Columbo
Escape From Atlantis
House of Frankenstein
Murder, She Wrote
The Munsters' Scary Little Christmas
Not In This Town
The Rockford Files
The Ripper
Young Hercules

Talk Shows:

Catherine (Netherlands)
Sally Jessy Raphaël
The Jerry Springer Show
Vanessa (U.K.)
Vera am Mittag (Germany)

Music

UNIVERSAL MUSIC GROUP

MCA Records
MCA Nashville/Decca
Geffen/DGC Records
Rising Tide
GRP Recording Company
Interscope Records
Hip-O Records
Universal Records
Universal Music & Video Distribution
Universal Special Markets
Universal Music International
MCA Music Publishing
Universal Concerts

Recreation

UNIVERSAL STUDIOS RECREATION GROUP

UNIVERSAL CITY HOLLYWOOD

Universal Studios Hollywood
Back to the Future — The Ride
Backdraft
E.T. Adventure
Jurassic Park: The Ride
Totally Nickelodeon
Universal CityWalk

UNIVERSAL CITY FLORIDA

Universal Studios Florida
Back to the Future — The Ride
Terminator 2: 3-D
Hercules & Xena: Wizards of the Screen
Universal's Islands of Adventure
Universal CityWalk

UNIVERSAL CITY JAPAN

Universal Studios Japan

SEGA GAMEWORKS

Other Businesses

[illegible]

Babe
Curious George
Hercules: The Legendary Journeys
The Land Before Time
The Lost World: Jurassic Park
Rocky & Bullwinkle and Friends
Universal Studios Classic Movie Monsters
Woody Woodpecker
Xena: Warrior Princess

[illegible]

Dapy
Glow

[illegible]

Crash Bandicoot

Universal Pictures' *The Lost World: Jurassic Park* set an opening weekend box office record and spawned numerous licensing and consumer products opportunities.

The Universal Music Group [illegible]

THE RESULTS

Effective June 30, 1996, the Company changed its fiscal year-end from January 31 to June 30. The financial results for the twelve months ended June 30, 1997 represent the first full fiscal year on the new basis. The financial results for the period from February 1, 1996 to June 30, 1996 (the "Transition Period") are also included in this Report. Results for the Transition Period are not necessarily indicative of operations for a full year.

Several events this fiscal year have impacted the comparability of Seagram's financial statements.

Sale of the 156 Million DuPont Equity Warrants: On July 24, 1996, the Company sold its 156 million equity warrants of E.I. du Pont de Nemours and Company ("DuPont") to DuPont for $500 million in cash. The Company had an after-tax gain of $39 million and after-tax net proceeds of $479 million.

Sale of Putnam Berkley: On December 16, 1996, the Company completed the sale of The Putnam Berkley Group, Inc. ("Putnam"), the book publishing division of Universal Studios, Inc. for $330 million in cash. The Company had a $64 million pretax gain on the sale but no after-tax gain due to the write-off of goodwill allocated to Putnam, which has no associated tax benefit.

Sale of Time Warner Shares: On May 28, 1997, Seagram sold 30 million shares of Time Warner Inc. ("Time Warner") common stock for $1.39 billion in cash. The Company had an after-tax gain of $100 million and after-tax net proceeds of $1.33 billion. The Company continues to hold 26.8 million Time Warner shares.

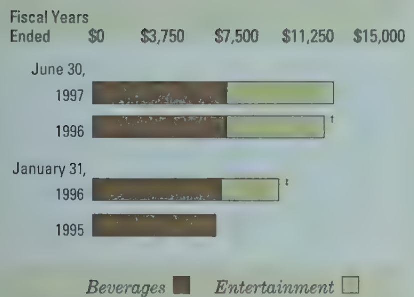
The following analysis is comprised of two sections for each fiscal period presented: An overview of revenues and operating income for the Company's two business segments, Beverages and Entertainment, and a more detailed discussion of the five lines of business within these two segments – Spirits and Wine, Fruit Juices and Other, Filmed Entertainment, Music, and Recreation and Other. This discussion will address attributed revenues and attributed earnings before interest, taxes, depreciation and amortization ("EBITDA"). These amounts include Seagram's proportionate share of the revenues and EBITDA, respectively, of its equity companies. The adjustment for equity companies eliminates the proportionate share of the revenues or EBITDA of equity companies, and reflects the equity income as reported under U.S. generally accepted accounting principles.

The Company believes cash flow, as defined by EBITDA, is an appropriate measure of the Company's operating performance, given the goodwill associated with the Company's acquisitions. In addition, financial analysts generally consider EBITDA to be an important measure of comparative operating performance. However, EBITDA should be considered in addition to, not as a substitute for, operating income, net income, cash flows and other measures of financial performance in accordance with generally accepted accounting principles.

The following detailed analysis of operations should be read in conjunction with the Consolidated Financial Statements of the Company found on pages 53 to 73.

REPORTED REVENUES*

U.S. Dollars in Millions



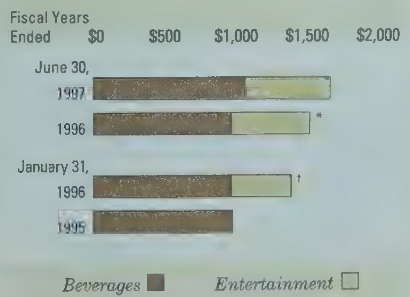
**Reported Revenues includes excise taxes of $808 million, $822 million, $812 million and $836 million, respectively*

†Twelve-month comparative period

‡Universal results in fiscal year ended January 31, 1996 are from date of acquisition June 5, 1995

EBITDA

U.S. Dollars in Millions

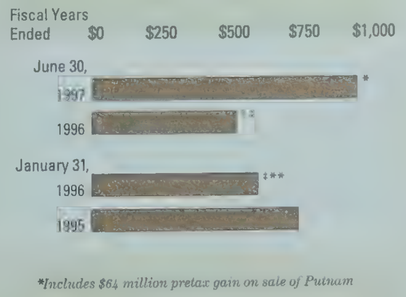


**Twelve-month comparative period*

†Universal results in fiscal year ended January 31, 1996 are from date of acquisition June 5, 1995

OPERATING INCOME

U.S. Dollars in Millions



**Includes $64 million pretax gain on sale of Putnam*

†Twelve-month comparative period

‡Includes $290 million charge related to reengineering activities

***Includes Universal results from date of acquisition June 5, 1995*

EARNINGS SUMMARY

U.S. Dollars in Millions, Except Per Share Amounts	Twelve Months Ended June 30, 1997	1996	Five Months Ended June 30, 1996	1995	Fiscal Years Ended January 31, 1996	1995
Attributed Revenues	$ 13,748	$ 13,185	$ 5,558	$ 2,909	$ 10,536	$ 6,653
Reported Revenues	12,560	12,045	5,013	2,715	9,747	6,399
EBITDA	1,651	1,506	518	391	1,379	968
Operating Income						
Beverages	823	441	225	240	456	781
Entertainment	242	174	1	32	205	–
Corporate	(132)	(108)	(47)	(16)	(77)	(56)
Operating Income	933	507	179	256	584	725
Interest, net and other	34	276	114	73	235	362
Provision (benefit) for income taxes	385	75	(15)	63	153	169
Minority interest charge (credit)	12	14	(5)	3	22	–
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	$ 502	$ 142	$ 85	$ 117	$ 174	$ 194
Per Share	$ 1.36	$ .37	$ .23	$ .32	$ .46	$ .52
Discontinued DuPont activities	–	–	–	3,232	3,232	617
Income before cumulative effect of accounting change	$ 502	$ 142	$ 85	$ 3,349	$ 3,406	$ 811
Cumulative effect of accounting change	–	–	–	–	–	(75)
Net Income	$ 502	$ 142	$ 85	$ 3,349	$ 3,406	$ 736
Net Income Per Share	$ 1.36	$ .37	$ .23	$ 8.99	$ 9.13	$ 1.98

Note: The Company's reported financial results for the five-month periods ended June 30, 1996 and 1995 include six months of Universal (from January 1, 1996 to June 30, 1996) and one month of Universal (from the acquisition date of June 5, 1995 to June 30, 1995), respectively. The Company's results for the fiscal year ended January 31, 1996 include seven months of Universal (from June 5, 1995 to December 31, 1995).

RESULTS OF OPERATIONS

Fiscal Year Ended June 30, 1997 vs. Comparable Period Ended June 30, 1996 Reported revenues and attributed revenues of $12.6 billion and $13.7 billion, respectively, increased from $12.0 billion and $13.2 billion, respectively, last year. Excluding the revenues of Putnam which was sold in December 1996, reported revenues and attributed revenues both increased five percent year-on-year. EBITDA was $1.65 billion compared with $1.5 billion last year. Excluding the contribution of Putnam, EBITDA increased 11 percent. Fruit Juices and Other EBITDA increased 14 percent and Spirits and Wine EBITDA was eight percent higher. Entertainment EBITDA was 13 percent above last year, excluding the contribution of Putnam.

Operating income, including a $64 million pretax gain on the sale of Putnam, was $933 million, up substantially from the prior year which included a $290 million pretax reengineering charge for the Beverage operations. Excluding the unusual items, operating income rose nine percent year-on-year reflecting the growth in operations which was partially offset by higher depreciation and amortization and higher corporate expenses. The incremental depreciation and amortization principally results from higher goodwill amortization related to the Brillstein-Grey Entertainment, Interscope Records and Multimedia Entertainment acquisitions. The increase in corporate expenses to $132 million is largely due to the increase in the market value of the Company's shares during the fiscal year ended June 30, 1997 which resulted in the recognition of additional expenses associated with stock-based compensation.

Interest, net and other in the fiscal year ended June 30, 1997 is net of the pretax gains on the sales of the DuPont warrants ($60 million) and the Time Warner shares ($154 million). Net interest expense of $288 million is also partially offset by $40 million of dividend income from Time Warner and DuPont. In the twelve months ended June 30, 1996, net interest expense of $315 million was partially offset by $39 million of dividend income. The net interest expense decrease largely reflects the repayment of debt with a portion of the proceeds from the sales of the DuPont warrants and Time Warner shares.

The underlying effective income tax rate for ongoing operations for the fiscal year ended June 30, 1997 was 40 percent compared with 42 percent in the comparable prior period. The income tax provision in fiscal 1997 includes $21 million of taxes on the gain on the sale of the DuPont warrants, $64 million of taxes on the gain on the sale of Putnam and $54 million of taxes on the gain on the sale of the Time Warner shares. In the prior year, the income tax provision included a $79 million benefit on the reengineering charge and a $67 million benefit related to a settlement with the U.S. government regarding the recognition of a capital loss on the Company's 1981 exchange of shares of Conoco Inc. for common stock of DuPont.

Net income was $502 million or $1.36 per share in the fiscal year ended June 30, 1997, compared with $142 million or $0.37 per share in the comparable prior period. Excluding the after-tax gains on the sales of the DuPont warrants and the Time Warner shares, net income in fiscal year 1997 was $363 million or $0.98 per share. In the comparable prior period, excluding the reengineering charge and the benefit associated with the tax settlement, net income was $286 million or $0.77 per share.

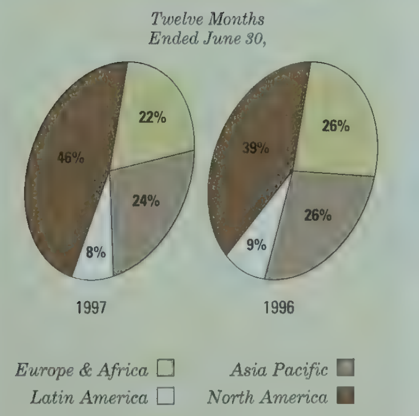
BEVERAGES

In the fiscal year ended June 30, 1997, the reported revenues of the Beverages segment increased slightly to almost $7.0 billion. The operating income of $823 million was substantially higher than last year's operating income of $443 million, which included a $290 million charge related to reengineering activities.

Spirits and Wine Revenues were adversely affected by difficult market conditions in both Europe and Asia Pacific. Attributed revenues declined two percent, while reported revenues were one percent weaker than last year. Excluding the impact of unfavorable foreign exchange, revenues would have been essentially even with last year. EBITDA increased eight percent to $813 million, driven largely by strong North American performance. The foreign exchange impact on EBITDA was negligible. EBITDA as a percent of attributed revenues rose from 14.4 percent to 15.9 percent reflecting benefits from reengineering and other cost-saving initiatives.

Case volumes decreased two percent in fiscal year 1997 as the performance of the Company's global brands was mixed. Volumes in North America were strong, in particular for Crown Royal Canadian Whisky, for which shipments grew eight percent, and Captain Morgan Rum, which increased volumes by 14 percent. Absolut Vodka, for which the Company gained distribution rights in major international markets beginning in 1994, had an 11 percent increase in shipments reflecting strong growth in all markets.

SPIRITS AND WINE EBITDA



TROPICANA BEVERAGES WORLDWIDE REVENUES

U.S. Dollars in Millions	*Twelve Months Ended June 30,* 1997	1996	*Five Months Ended June 30,* 1996	1995	*Fiscal Years Ended January 31,* 1996	1995
Attributed Revenues						
Spirits and Wine	$ 5,121	$ 5,199	$ 1,947	$ 1,841	$ 5,093	$ 5,061
Fruit Juices and Other	2,113	2,035	839	702	1,898	1,592
Attributed revenues	7,234	7,234	2,786	2,543	6,991	6,653
Adjustment for equity companies	(267)	(301)	(133)	(129)	(297)	(254)
Reported Revenues*	$ 6,967	$ 6,933	$ 2,653	$ 2,414	$ 6,694	$ 6,399
EBITDA						
Spirits and Wine	$ 813	$ 750	$ 250	$ 263	$ 763	$ 809
Fruit Juices and Other	235	206	72	62	196	159
EBITDA	1,048	956	322	325	959	968
Reengineering charge	–	(290)	–	–	(290)	–
Adjustment for equity companies	(10)	(10)	(5)	(3)	(8)	(7)
Depreciation and amortization	(215)	(215)	(92)	(82)	(205)	(180)
Operating Income	$ 823	$ 441	$ 225	$ 240	$ 456	$ 781

**Reported revenues include excise taxes of $808 million and $822 million in the twelve months ended June 30, 1997 and 1996, respectively, $296 million and $317 million in the five-month periods ended June 30, 1996 and 1995, respectively, and $812 million and $836 million for the fiscal years ended January 31, 1996 and 1995, respectively.*

The $63 million EBITDA increase reflects significant growth in the Americas, which is partially offset by declines in the other geographic regions. The double-digit increase in the Americas was driven by strong volumes in North America, improvements in Brazil, Argentina and certain nonaffiliated markets, and benefits realized from the reengineering initiatives. EBITDA for Europe & Africa declined seven percent primarily due to the difficult conditions in the German and Italian markets. On a positive note, the U.K., Greece and Portugal all achieved growth year-on-year. In Asia Pacific, EBITDA declined five percent as difficult trading conditions in Greater China more than offset growth and reengineering savings in Japan and Korea.

Attributed revenues and EBITDA generated outside of North America accounted for approximately 65 percent and 54 percent of total attributed revenues and EBITDA, respectively. Europe & Africa accounts for 34 percent of Spirits and Wine attributed revenues and 22 percent of EBITDA. Asia Pacific represents 21 percent of the total attributed revenues and 24 percent of EBITDA. Latin America accounts for the remaining 10 percent of attributed revenues and eight percent of EBITDA. (This geographic breakdown, which is used by management to measure the performance of marketing affiliates, excludes excise taxes, assigns sales to the region in which the purchaser is located and includes our proportionate share of the revenues and EBITDA of equity company affiliates. The geographic data contained in Note 12 of the Notes to the Consolidated Financial Statements include excise taxes as well as the Company's other operations, and are based upon the location of the legal entity which invoices the sale.)

Despite the revenue decline, we continued to invest for future growth by supporting our brands. While total brand spending declined, in line with our volume shortfall, advertising rose six percent. The advertising growth reflects our increased emphasis on the consumer and is focused behind our core strategic brands and in key markets including the U.S., Greater China and Germany.

Depreciation and amortization of assets was $97 million in fiscal year 1997 and $100 million in the comparable prior period. Amortization of goodwill was $20 million and $22 million in the twelve-month periods ended June 30, 1997 and 1996, respectively. Spirits and Wine capital expenditures were $170 million in fiscal year 1997 and total assets were $4,922 million at June 30, 1997.

Fruit Juices and Other Tropicana Beverage Group benefited from the ongoing strength of its flagship [illegible]. Tr[illegible] Pure Premium. Attributed and reported revenues both increased four percent. Revenues in Tropicana North America increased seven percent. International revenues were slightly below the prior year, primarily as a result of unfavorable foreign exchange. Excluding the foreign exchange impact, international revenues would have increased [illegible]

Tropicana Beverage Group's unit volume increased two percent. Tropicana Pure Premium led the way once again with 10 percent volume growth in North America. Tropicana North America had an over 40 percent share of the total U.S. chilled orange juice market and its share of the more important not-from-concentrate orange juice market increased to 71 percent. North America experienced volume declines in some from-concentrate and beverage products as margins were strengthened to improve overall profitability. Internationally, unit volumes increased five percent with significant growth in Asia Pacific. In the low-alcohol division, cooler volumes declined largely as a result of the discontinuation of certain brands.

EBITDA climbed 14 percent to $235 million. EBITDA as a percent of attributed revenues increased one percentage point from 10.1 percent to 11.1 percent even with double-digit increases in marketing support. Reengineering initiatives and margin enhancement programs strongly contributed to this improvement.

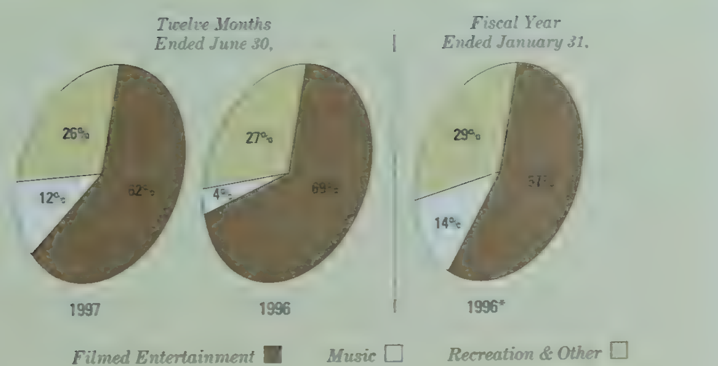
Depreciation and amortization of assets was $67 million in fiscal year 1997 and $64 million in the comparable [illegible] Amortization of goodwill was $31 million and $29 million in the twelve-month periods ended June 30, 1997 and 1996, respectively. Capital expenditures for Fruit Juices and Other were $131 million in fiscal year 1997 and total assets were $2,507 million at June 30, 1997.

ENTERTAINMENT

In the fiscal year ended June 30, 1997, Universal contributed $5.6 billion to reported revenues, up nine percent from the $5.1 billion contributed in the comparable prior period. Operating income, including the $64 million [illegible] sale of Putnam, rose 39 percent to $242 million in fiscal year 1997. Excluding the operating contribution of Putnam and the gain on the sale, reported revenues and operating income increased 12 percent and four percent, respectively.

Filmed Entertainment In fiscal year 1997, attributed revenues increased seven percent and [illegible] six percent. The motion picture group accounted for over 60 percent of the $3.9 billion of attributed revenues, while television accounted for approximately 20 percent. EBITDA declined slightly to $373 million. EBITDA as a percent of attributed revenues declined from 10.3 to 9.5 percent.

ENTERTAINMENT EBITDA



**Universal results in fiscal year ended January 31, 1996 are from date of acquisition June 5, 1995*

U.S. Dollars in Millions	Twelve Months Ended June 30, 1997	1996	Five Months Ended June 30, 1996	1995	Fiscal Year Ended January 31, 1996	Six Months Ended June 30, 1995	Twelve Months Ended December 31, 1995	1994
Attributed Revenues								
Filmed Entertainment	$ 3,917	$ 3,671	$ 1,740	$ 193	$ 2,124	$ 1,556	$ 3,487	$ 3,313
Music	1,500	1,205	537	85	753	589	1,257	1,293
Recreation and Other	1,097	1,075	495	88	668	448	1,028	965
Attributed revenues	6,514	5,951	2,772	366	3,545	2,593	5,772	5,571
Gain on sale of Putnam	64	–	–	–	–	–	–	–
Adjustment for equity companies	(985)	(839)	(412)	(65)	(492)	(372)	(798)	(753)
Reported Revenues	$ 5,593	$ 5,112	$ 2,360	$ 301	$ 3,053	$ 2,221	$ 4,974	$ 4,818
EBITDA								
Filmed Entertainment	$ 373	$ 379	$ 176	$ 37	$ 240	$ 89	$ 292	$ 176
Music	72	24	(24)	11	59	75	123	192
Recreation and Other	158	147	44	18	121	75	178	165
EBITDA	603	550	196	66	420	239	593	533
Gain on sale of Putnam	64	–	–	–	–			
Adjustment for equity companies	(97)	(92)	(47)	(11)	(56)			
Depreciation and amortization	(328)	(284)	(148)	(23)	(159)			
Operating Income	$ 242	$ 174	$ 1	$ 32	$ 205			

Note: The Company's reported financial results for the five-month period ended June 30, 1996 include six months of Universal (from January 1, 1996 to June 30, 1996) and one month of Universal in the prior period (from the acquisition date of June 5, 1995 to June 30, 1995). The Company's results for the fiscal year ended January 31, 1996 include seven months of Universal (from June 5, 1995 to December 31, 1995). Universal's results for the six months ended June 30, 1995 and the twelve months ended December 31, 1995 and December 31, 1994 are provided for comparative purposes.

U.S. Dollars in Millions	Twelve Months Ended June 30, 1997	1996	Five Months Ended June 30, 1996	Fiscal Year Ended January 31, 1996	Twelve Months Ended December 31, 1995	1994
Capital Expenditures						
Filmed Entertainment	$ 44	$ 52	$ 33	$ 40	$ 59	$ 66
Music	47	37	24	26	33	30
Recreation and Other	115	180	79	109	137	123
	$ 206	$ 269	$ 136	$ 175	$ 229	$ 219

Note: Capital expenditures for the five-month period ended June 30, 1996 include six months of Universal (from January 1, 1996 to June 30, 1996). Capital expenditures for the fiscal year ended January 31, 1996 include seven months of Universal (from June 5, 1995 to December 31, 1995). Universal's capital expenditures for the twelve months ended December 31, 1995 and December 31, 1994 are provided for comparative purposes.

The motion picture group's EBITDA was down despite the successful theatrical release of *The Nutty Professor*, *Liar Liar* and *The Lost World: Jurassic Park*, the latter two of which were released relatively late in the fiscal year. The results were negatively impacted by several disappointing releases, including *Dante's Peak* and *McHale's Navy*, and a one-time charge associated with the termination of The Bubble Factory production deal. The television group's results were even with last year as the contribution from the international pay and free television agreements and the Multimedia Entertainment and Brillstein-Grey Entertainment acquisitions were offset by higher deficit spending on new television series and the cancellation of several series which were in a profitable position, including *Murder, She Wrote* and *Dream On*. The EBITDA of our 50 percent-owned joint venture, USA Networks, was essentially even with the prior year.

Music In fiscal year 1997, the music group revenues benefited from the substantial investment in new artists and labels in the past two years. Attributed revenues and reported revenues increased 24 percent and 22 percent, respectively. The results reflect a considerably improved chart position. In the U.S., the music group's share of the current album releases rose more than six percentage points to over 14 percent in the first half of calendar year 1997. Major albums in release in 1997 included those by No Doubt, Bush, BLACKstreet, The Wallflowers, Counting Crows and Nirvana.

Music EBITDA tripled to $72 million. EBITDA as a percent of attributed revenues rose from 2.0 percent to 4.8 percent. The margins in both periods were adversely impacted by the continued investment spending for new artists and labels and international expansion.

Recreation and Other Attributed revenues for Recreation and Other increased two percent while reported revenues decreased three percent. EBITDA increased seven percent to $158 million. The comparison is impacted by the sale of Putnam during fiscal year 1997. Excluding the contribution of Putnam from both years, attributed revenues rose over 20 percent, reported revenues increased 18 percent and EBITDA climbed 22 percent.

The recreation group's strong growth was driven by the successful opening of two new attractions: *Jurassic Park – The Ride* at Universal Studios Hollywood in June 1996, and *Terminator 2: 3-D* at Universal Studios Florida, its 50 percent-owned joint venture, in May 1996. Attendance and per capita spending rose at both theme parks. In Hollywood, attendance grew 18 percent and per capita spending rose eight percent. In Florida, attendance rose four percent while per capita spending increased eight percent.

Spencer Gifts continued its strong performance during the period due to new store openings and a four percent increase in comparable store sales. The Universal Studios New Media Group had strong video game sales, principally *Crash Bandicoot*, offset by increased losses from the Company's equity investment in Interplay Productions. Also, the group incurred start-up costs in connection with the on-line and in-house software development operations in fiscal 1997.

Transition Period vs. Comparable Period Ended June 30, 1995 Revenues were significantly higher than the comparable prior period reflecting the timing of the closing of the Dole* juice and Universal acquisitions in May and June 1995, respectively. EBITDA increased 32 percent to $518 million in the Transition Period. Entertainment EBITDA was $196 million compared with $66 million in the prior period, which represented one month of Universal results. Operating income declined to $179 million in the Transition Period reflecting a substantial increase in the depreciation and amortization expense associated with the Universal and Dole juice acquisitions.

Interest, net and other in the Transition Period was $114 million, $41 million higher than in the five months ended June 30, 1995. The prior period was net of $76 million of interest income largely earned from the temporary investment of the full proceeds from the DuPont redemption from April 1995 until the funding of the Universal acquisition in June 1995.

The income tax provision in the Transition Period included the $67 million benefit related to a settlement with the U.S. government regarding the 1981 exchange of shares of Conoco Inc. for common stock of DuPont. Excluding this tax benefit, the effective income tax rate of 80 percent was significantly higher than the prior year rate of 34 percent because of the non-deductibility of the goodwill amortization associated with the Universal and Dole juice acquisitions and lower taxable earnings.

Net income was $85 million or $0.23 per share in the Transition Period. Excluding the benefit associated with the tax settlement of $67 million or $0.18 per share, net income was $18 million or $0.05 per share. In the five months ended June 30, 1995, earnings before the discontinued DuPont activities were $117 million or $0.32 per share. Due to the redemption of most of the Company's DuPont shares on April 6, 1995, the Company discontinued accounting for its investment in DuPont under the equity method effective February 1, 1995. Earnings related to the DuPont investment are presented as discontinued activities in the prior period and include a $3.2 billion after-tax gain on the redemption of the 156 million shares and $68 million of after-tax dividend income earned on such shares prior to the redemption transaction. In the five months ended June 30, 1995, net income was $3.3 billion or $8.99 per share.

BEVERAGES

In the Transition Period, the Beverages segment contributed $2.7 billion to reported revenues, which is 10 percent greater than the prior period. The operating income contribution of $225 million was $15 million below the operating income in the period ended June 30, 1995.

Spirits and Wine Attributed and reported revenues each grew six percent largely driven by improvement in Europe. In the Transition Period, EBITDA decreased five percent to $250 million primarily reflecting a decline in North America, which more than offset improvement in Europe & Africa and a substantial recovery in several Latin American affiliates. Asia Pacific's results were essentially unchanged. Case volumes rose almost four percent in the Transition Period. Most of the Company's key premium brands grew, including Martell Cognac, Chivas Regal Scotch Whisky, Crown Royal Canadian Whisky, Mumm Sekt Sparkling Wines and Absolut Vodka.

* *The Dole brand name is licensed from Dole.*

Fruit Juices and Other Attributed and reported revenues for Fruit Juices and Other each climbed 20 percent. Excluding the juice beverage operations acquired from Dole (the five months ended June 30, 1995 included approximately one month of Dole juice beverage results), Tropicana's attributed revenues grew nine percent and EBITDA rose 16 percent to $72 million. Tropicana Beverages' unit volume increased 21 percent driven largely by an eight percent increase in Pure Premium unit volume in North America and a 40 percent increase in international unit volume.

ENTERTAINMENT

In the Transition Period, which includes Universal results from January 1, 1996 to June 30, 1996, Universal contributed $2.4 billion to reported revenues and $1 million to operating income, after significant amortization and depreciation expense. In the period ended June 30, 1995, the Company's results included one month of Universal from the acquisition date of June 5, 1995 until June 30, 1995. During that time, Universal had reported revenues of $301 million and operating income of $32 million. In order to provide a basis of comparison, the discussion that follows is based upon Universal results for the six months ended June 30, 1996 compared with the results for the six months ended June 30, 1995.

Filmed Entertainment In the six-month period ended June 30, 1996, attributed revenues and reported revenues each rose 12 percent and EBITDA almost doubled to $176 million versus the prior period. The motion picture group was driven by higher worldwide profits from prior year releases, particularly *Babe* and *Casper*. The television group had improved results mainly because of the cancellation of several series which were in a deficit position. EBITDA of its 50 percent-owned joint venture, USA Networks, was essentially even with the prior period.

Music In the six-month period ended June 30, 1996, attributed and reported revenues each declined nine percent, while EBITDA was a loss of $24 million compared to income of $75 million in the comparable prior period. Lower revenues and EBITDA reflect difficult comparisons with the prior period as the six months ended June 30, 1995 included significant carryover business from the very strong fourth quarter of 1994. EBITDA was affected by a substantial investment program in 1996, which included increased spending for international expansion and investment in new artists and label ventures including Universal Records and Rising Tide/Nashville, and the acquisition of a 50 percent interest in Interscope Records.

Recreation and Other Attributed revenues increased 10 percent and reported revenues increased eight percent during the six-month period ended June 30, 1996 but EBITDA declined from $75 million to $44 million. Attendance and per capita spending at both theme parks were higher in the period ended June 30, 1996 than the prior period. This is due in part to the successful openings of *Terminator 2: 3-D* at Universal Studios Florida, the Company's 50 percent-owned joint venture, in May 1996 and *Jurassic Park – The Ride* at Universal Studios Hollywood in June 1996. Recreation EBITDA was down substantially due largely to higher marketing spending and the timing of that spending in advance of the new attractions which opened comparatively late in the period.

Year Ended January 31, 1996 vs. Year Ended January 31, 1995 Both reported revenues and attributed revenues were up substantially over the prior year largely due to the inclusion of partial year results of Universal and the Dole juice business. EBITDA was $1.4 billion compared with $968 million in the prior year. Entertainment contributed $420 million, and Fruit Juices and Other increased 23 percent, while Spirits and Wine declined six percent. Corporate expenses increased to $77 million largely because the increase in the market value of the Company's shares in the year ended January 31, 1996 resulted in the recognition of additional expenses associated with stock-based compensation. Operating income, after a $290 million reengineering charge, declined to $584 million. Excluding this charge, operating income rose 21 percent to $874 million reflecting the contribution from Entertainment and higher Fruit Juices and Other, partially offset by weaker Spirits and Wine results.

The interest, net and other decrease in the year ended January 31, 1996 largely reflected the repayment of debt with a portion of the proceeds from the DuPont redemption and interest income earned from the temporary investment of the DuPont proceeds from April 1995 until the funding of the Universal Studios Holding I Corp. acquisition in June 1995.

The effective income tax rate on continuing operations for the fiscal year ended January 31, 1996 was 44 percent compared with 29 percent (exclusive of the $65 million charge for the Company's 1981 exchange of shares of Conoco Inc. for common stock of DuPont) in the prior period. The higher effective tax rate resulted from the non-deductibility of goodwill amortization and the charge for reengineering activities, for which a tax benefit was not recognized in some countries where the charge was incurred.

In the fiscal year ended January 31, 1996, income from discontinued DuPont activities included a $3.2 billion after-tax gain on the redemption of the 156 million DuPont shares and $68 million of after-tax dividend income. In the fiscal year ended January 31, 1995, income from the discontinued DuPont activities included $264 million of after-tax dividend income and $353 million of unremitted earnings (Seagram's share of DuPont's earnings not received as cash dividends).

Earnings before the discontinued DuPont activities were $174 million or $0.46 per share in the year ended January 31, 1996 compared with $194 million or $0.52 per share in the prior year. Net income was $3.4 billion or $9.13 per share, including the discontinued DuPont activities, compared with $736 million or $1.98 per share in the prior year, which included a $75 million after-tax charge for the cumulative effect of the adoption of FAS 112, relating to postemployment benefits.

BEVERAGES

In the fiscal year ended January 31, 1996, the Beverages segment contributed $6.7 billion to reported revenues and $456 million to operating income, after a $290 million charge related to reengineering activities.

Spirits and Wine Attributed revenues increased slightly while EBITDA decreased six percent. EBITDA as a percent of attributed revenues declined from 16.0 percent to 15.0 percent.

Case volumes declined three percent in the year ended January 31, 1996 principally from the reduction of trade inventories in Europe, in particular for Mumm Sekt Sparkling Wines. However, a number of the Company's premium brands showed strong unit gains, including Chivas Regal Scotch Whisky, Martell Cognac and Crown Royal Canadian Whisky. Absolut Vodka showed growth in shipments in the U.S. and globally as the Company continued to expand its distribution of the brand.

The EBITDA decline was attributable to a 20 percent shortfall in Europe & Africa, partially mitigated by strong performances in Asia Pacific and the Americas. The weakness in Europe & Africa resulted primarily from difficult trading conditions in Germany, Spain and Portugal. Asia Pacific continued its broad-based profit growth, particularly in Greater China and South Korea. North America's results were driven largely by growth in Crown Royal Canadian Whisky, Captain Morgan Original Spiced Rum and Absolut Vodka. The improved contribution from Latin America was mainly the result of significantly higher profits in Venezuela.

Fruit Juices and Other Attributed revenues for the total unit increased 19 percent to $1.9 billion as Tropicana Beverages had 22 percent higher revenues, including the partial year results of the juice beverage business acquired from Dole. Tropicana's attributed revenues rose eight percent, excluding revenues from the acquired Dole operations. EBITDA, before the reengineering charge, rose 23 percent to $196 million reflecting strong performances in the Tropicana base businesses and the acquisition of the Dole juice beverage business.

Excluding the operations acquired from Dole, Tropicana's unit volume increased eight percent driven largely by an 11 percent increase in Pure Premium in North America and a 71 percent increase in international revenues.

Reengineering Activities In connection with a program to better position its beverage operations for strategic growth, the Company recorded a pretax charge of $290 million in the quarter ended October 31, 1995. The charge related principally to the Company's global spirits and wine manufacturing, financial, marketing and distribution systems. After giving effect to the charge, the Beverages segment reported operating income of $456 million compared with $781 million in the prior year.

ENTERTAINMENT

In the year ended January 31, 1996, Universal contributed $3.1 billion to reported revenues and $205 million to operating income, which represented Universal's results since the Company acquired its 80 percent interest in Universal in June 1995. Although the Company's reported financial results reflected only the partial year of Universal operations, in order to provide a basis of comparison, the discussion that follows is based upon Universal results for the 12 months ended December 31, 1995 compared with the prior year.

Filmed Entertainment Attributed revenues grew five percent to $3.5 billion, and EBITDA increased to $292 million from $176 million. The motion picture group was driven by the successful worldwide performance of *Casper*, *Apollo 13* and *Babe*. Television operations benefited from higher sales of library product at improved margins, in addition to reduced losses on fewer new network and first-run syndication series. EBITDA of the Company's 50 percent-owned joint venture, USA Networks, increased substantially due to higher advertising revenues, increased subscriber revenues and lower programming costs.

Music The music group faced difficult comparisons due to an exceptionally strong performance in 1994. Attributed revenues declined three percent to $1,257 million, while EBITDA fell 36 percent to $123 million. New releases in 1995 included albums by Live and White Zombie, and the *Dangerous Minds* soundtrack, following successful new albums in 1994 by The Eagles, Counting Crows, Aerosmith and Nirvana.

Recreation and Other Attributed revenues increased seven percent to $1,028 million in 1995, while EBITDA grew to $178 million from $165 million. Theme parks were solid, despite competitive pressure from new attractions and aggressive marketing efforts at other theme parks. Universal Studios Hollywood had a four percent increase in per capita spending and one percent growth in attendance. Per capita spending at Universal Studios Florida was up slightly and attendance was essentially unchanged. Book publishing was higher due to successful new releases by a number of authors including Tom Clancy, Patricia Cornwell, Amy Tan and Charles Kuralt. Spencer Gifts had a very strong year, with comparable store sales up over nine percent.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK

The Company's financial position strengthened during the fiscal year ended June 30, 1997. Net cash provided by ongoing operations was $2,146 million, following net cash provided of $903 million in the five months ended June 30, 1996. The results for the fiscal year included significant non-cash charges such as amortization of film costs, depreciation and amortization of assets and amortization of excess of cost over fair value of assets. In addition, cash was generated by a reduction in working capital requirements.

Net cash provided by investing activities was $242 million in fiscal year 1997. The net cash provided includes gross proceeds from the sale of 30 million Time Warner shares ($1.39 billion), the sale of the DuPont warrants ($500 million) and the sale of Putnam ($330 million). These cash proceeds were partially offset by film production costs of $1.36 billion and capital expenditures of $507 million: Beverages - $301 million and Entertainment - $206 million. In the Transition Period, net cash used for investing activities was $1.3 billion. The major items which required cash included the investment in Interscope Records of $200 million, the investment in Brillstein-Grey Entertainment of $81 million and investments in unconsolidated companies including Cineplex Odeon Corporation and SEGA GameWorks. In addition, film production costs were $626 million and total capital expenditures were $305 million: Beverages - $168 million, Universal - $136 million and Corporate - $1 million.

The Company has entered into an arrangement to sell to a third party substantially all films produced or acquired during the term of the agreement for amounts which approximate cost. The Company will serve as sole distributor and earn a distribution fee, which is variable and contingent upon the films' performance. In addition, the Company has the option to purchase the films at certain future dates.

In the fiscal year ended June 30, 1997, the net result of cash provided by ongoing operations and investing activities, the payment of $239 million of dividends and the repurchase of $416 million of the Company's common shares was a decrease in net debt of $1.9 billion. This reflects a decline in short-term debt of $1,589 million and a $225 million increase in cash and short-term investments. In the five months ended June 30, 1996, net debt increased by $562 million largely due to the funding of entertainment investments.

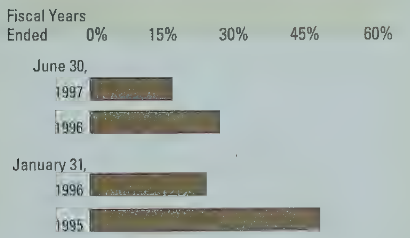
The Company's total long- and short-term debt, net of cash and short-term investments, decreased to $2.2 billion at June 30, 1997 from $4.1 billion at June 30, 1996. The Company's ratio of net debt to total capitalization (including minority interest) declined from 27 percent to 17 percent, reflecting the lower debt outstanding. In addition, the Company's liquidity is enhanced by the ownership of 26.8 million shares of Time Warner common stock which had a market value of $1.3 billion on June 30, 1997. As previously indicated, the Company does not view its remaining investment in Time Warner as a strategic asset.

The Company's working capital position is reinforced by available credit facilities of $3.8 billion. These facilities are used to support the Company's commercial paper borrowings and are available for general corporate purposes. The Company believes its internally-generated liquidity together with access to external capital resources will be sufficient to satisfy existing commitments and plans, and to provide adequate financial flexibility to take advantage of potential strategic business opportunities should they arise.

The Company is exposed to changes in financial market conditions in the normal course of its business operations due to its operations in different foreign currencies and its ongoing investing and funding activities. Market risk is the uncertainty to which future earnings or asset/liability values are exposed due to operating cash flows denominated in foreign currencies and various financial instruments used in the normal course of operations. The Company has established policies, procedures and internal processes governing its management of market risks and the use of financial instruments to manage its exposure to such risks.

The Company is exposed to changes in interest rates primarily as a result of its borrowing and investing activities which include short-term investments and borrowings and long-term debt used to maintain liquidity and fund its business operations. The Company continues to utilize U.S. dollar-denominated commercial paper to fund seasonal working capital requirements in the U.S. and Canada. The Company also borrows in different currencies from other sources to meet the borrowing needs of its affiliates. The nature and amount of the Company's long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors.

NET DEBT* AS A PERCENTAGE OF TOTAL CAPITAL†



**Net of cash and short-term investments*
†Net debt, Minority interest and Shareholders' equity

QUARTERLY HIGH AND LOW SHARE PRICES

	Fiscal Year Ended June 30, 1997		Five-Month Period Ended June 30, 1996		Fiscal Years Ended January 31, 1996		1995	
	High	Low	High	Low	High	Low	High	Low
New York Stock Exchange								
First Quarter	US$38 3/8	US$30 7/8	US$38 3/8	US$31 3/4	US$32 3/8	US$25 5/8	US$31	US$27
Second Quarter	41 7/8	35 1/4	36 3/8	32 1/2	36 3/4	26 3/4	32	28 1/8
Third Quarter	42 3/4	38			38 1/8	34 1/4	32 5/8	29 1/8
Fourth Quarter	41 7/8	35 3/4			39 1/2	34 1/4	30 3/4	27 1/8
Canadian Stock Exchanges (Canadian Dollars)								
First Quarter	C$52 1/4	C$42 1/4	C$52 1/2	C$43 1/8	C$45 1/4	C$35 1/2	C$42 1/2	C$37 1/4
Second Quarter	57 4/10	47 1/2	49 3/4	44 2/5	50	36 1/4	43 7/8	38 3/4
Third Quarter	57 3/10	51 9/10			52	46 1/4	44 5/8	39 1/4
Fourth Quarter	58 1/10	50			53 1/4	46 7/8	43 1/8	37 3/8

The Company's operating cash flows denominated in foreign currency as a result of its international business activities and certain of its borrowings are exposed to changes in foreign exchange rates. The Company continually evaluates its foreign currency exposure (primarily British pound, French franc, German mark and Swiss franc), based on current market conditions and the business environment. In order to mitigate the effect of foreign currency risk, the Company engages in hedging activities. The magnitude and nature of such hedging activities are explained further in Note 8 to the financial statements.

The Company employs a variance/covariance approach in its calculation of Value at Risk (VaR), which measures the potential losses in fair value or earnings that could arise from changes in market conditions, using a 95 percent confidence level and assuming a one-day holding period. The VaR, which is the potential loss in fair value, attributable to those interest rate sensitive exposures associated with the Company's exposure to interest rates was $12 million at June 30, 1997 and the average VaR for the year then ended was $14 million. This exposure is primarily related to long-term debt with fixed interest rates. The VaR, which is the potential loss in earnings, at June 30, 1997 and the average VaR for the year then ended associated with the Company's exposure to foreign exchange rates primarily as a result of its foreign currency denominated debt was $2 million. The Company is subject to other foreign exchange market risk exposure as a result of non-financial instrument anticipated foreign currency cash flows which are difficult to reasonably predict, and have therefore not been included in the Company's VaR calculation.

RETURN TO SHAREHOLDERS

The Company had 7,586 registered shareholders at August 15, 1997. The Company's common shares are listed on the New York, Toronto, Montreal, Vancouver and London Stock Exchanges. Closing prices at June 30, 1997, on the New York and Toronto Stock Exchanges were $40.25 and C$55.50, respectively.

In the fiscal year ended June 30, 1997, the Company paid dividends of $0.15 per share in the first quarter and $0.165 per share in each of the final three quarters. In the Transition Period dividends paid were $0.15 per share per quarter. In the year ended January 31, 1996, the Company also paid dividends of $0.15 per share in each of the four quarters. Dividends paid to shareholders totaled $239 million in fiscal year 1997, $112 million in the Transition Period and $224 million and $216 million in the years ended January 31, 1996 and 1995, respectively.

CONSOLIDATED STATEMENT OF INCOME

U.S. Dollars in Millions, Except Per Share Amounts	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
Revenues	$ 12,560	$ 5,013	$ 9,747	$ 6,399
Cost of revenues	7,683	3,186	6,122	3,654
Selling, general and administrative expenses	3,944	1,648	3,041	2,020
Operating Income	933	179	584	725
Interest, net and other	34	114	235	362
	899	65	349	363
Provision (benefit) for income taxes	385	(15)	153	169
Minority interest charge (credit)	12	(5)	22	–
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	502	85	174	194
Discontinued DuPont Activities:				
Dividends, after tax	–	–	68	264
Unremitted earnings	–	–	–	353
Gain on redemption of 156 million shares, after tax	–	–	3,164	–
	–	–	3,232	617
Income Before Cumulative Effect of Accounting Change	502	85	3,406	811
Cumulative effect of accounting change, after tax	–	–	–	(75)
Net Income	$ 502	$ 85	$ 3,406	$ 736
Earnings Per Share				
Income before discontinued DuPont activities and cumulative effect of accounting change	$ 1.36	$ .23	$ .46	$ .52
Discontinued DuPont activities, after tax	–	–	8.67	1.66
Income Before Cumulative Effect of Accounting Change	1.36	.23	9.13	2.18
Cumulative effect of accounting change, after tax	–	–	–	(.20)
Net Income	$ 1.36	$ .23	$ 9.13	$ 1.98

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

U.S. Dollars in Millions	June 30, 1997	June 30, 1996	January 31, 1996
ASSETS			
Current Assets			
Cash and short-term investments at cost	$ 504	$ 279	$ 254
Receivables, net	2,015	1,770	2,276
Inventories	2,974	3,142	2,914
Film costs, net of amortization	538	471	510
DuPont warrants	–	440	–
Deferred income taxes	521	402	361
Prepaid expenses and other current assets	402	382	325
Total Current Assets	6,954	6,886	6,640
Common stock of DuPont	1,034	651	631
DuPont warrants	–	–	440
Common stock of Time Warner	1,291	2,228	2,356
Film costs, net of amortization	840	783	790
Artists' contracts, advances and other entertainment assets	645	680	721
Deferred charges and other assets	714	736	737
Property, plant and equipment, net	3,125	2,951	2,806
Investments in unconsolidated companies	2,097	2,162	1,936
Excess of cost over fair value of assets acquired	4,236	4,551	4,298
	$ 20,936	$ 21,628	$ 21,355
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term borrowings and indebtedness payable within one year	$ 255	$ 1,850	$ 936
Accrued royalties and participations	865	602	642
Payables and accrued liabilities	2,083	2,086	2,164
Income and other taxes	314	149	112
Total Current Liabilities	3,517	4,687	3,854
Long-term indebtedness	2,494	2,562	2,889
Accrued royalties and participations	364	388	404
Deferred income taxes	2,461	2,163	2,185
Other credits	827	784	851
Minority interest	1,851	1,839	1,844
Shareholders' Equity			
Shares without par value	809	725	709
Cumulative currency translation adjustments	(427)	(246)	(268)
Cumulative gain on equity securities, after tax	781	337	407
Retained earnings	8,259	8,389	8,480
Total Shareholders' Equity	9,422	9,205	9,328
	$ 20,936	$ 21,628	$ 21,355

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Edgar M. Bronfman
DIRECTOR

C.E. Medland
DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

U.S. Dollars in Millions	Fiscal Year Ended June 30, 1997	Transition Period Ended June 30, 1996	Fiscal Years Ended January 31, 1996	1995
OPERATING ACTIVITIES				
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	$ 502	$ 85	$ 174	$ 194
Adjustments to Reconcile Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change to Net Cash Provided:				
Amortization of film costs	1,050	524	642	–
Depreciation and amortization of assets	353	158	255	138
Amortization of excess of cost over fair value of assets acquired	194	84	113	46
Gain on sale of Time Warner shares, DuPont warrants and Putnam, before tax	(278)	–	–	–
Minority interest charged (credited) to income	12	(5)	22	–
Sundry	147	70	46	17
Changes in assets and liabilities:				
Receivables, net	(213)	532	(172)	(157)
Inventories	(8)	(212)	(137)	(23)
Prepaid expenses and other current assets	(65)	(59)	(19)	(36)
Artists' contracts, advances and other entertainment assets	(2)	1	66	–
Payables and accrued liabilities	322	(243)	140	363
Income and other taxes payable	161	55	(105)	38
Deferred income taxes	(52)	15	14	(114)
Other credits	23	(102)	(14)	53
	1,644	818	851	325
Net Cash Provided by Continuing Operations	2,146	903	1,025	519
INVESTING ACTIVITIES				
Film production	(1,356)	(626)	(684)	–
Capital expenditures	(507)	(305)	(433)	(172)
Proceeds from sale of Time Warner shares, DuPont warrants and Putnam	2,217	–	–	–
Investment in Interscope Records	–	(200)	–	–
Investment in Brillstein-Grey Entertainment	–	(81)	–	–
Discontinued DuPont activities:				
Dividends, net of taxes paid	–	–	68	264
Proceeds from redemption of shares, net of taxes paid	–	–	7,729	
Purchase of 80 percent interest in Universal	–	–	(5,523)	–
Purchase of Dole juice beverage business	–	–	(273)	–
Purchase of Time Warner common stock	–	–	–	(474)
Increase in DuPont investment related to 1981 transaction	–	–	–	(162)
Sundry	(112)	(117)	(9)	(93)
Net Cash Provided by (Used for) Investing Activities	242	(1,329)	875	(637)
FINANCING ACTIVITIES				
Dividends paid	(239)	(112)	(224)	(216)
Issuance of shares upon exercise of stock options and conversion of LYONs	107	20	72	22
Shares purchased and retired	(416)	(68)	(18)	(23)
Increase in long-term indebtedness	3	36	214	3
Decrease in long-term indebtedness	(29)	(341)	(251)	(252)
(Decrease) increase in short-term borrowings and indebtedness payable within one year	(1,589)	916	(1,596)	610
Net Cash (Used for) Provided by Financing Activities	(2,163)	451	(1,803)	144
Net Increase in Cash and Short-term Investments	$ 225	$ 25	$ 97	$ 26

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

U.S. Dollars in Millions, Except Per Share Amounts	Common Shares Without Par Value Number (thousands)	Amount	Cumulative Currency Translation Adjustments	Cumulative Gain (Loss) on Equity Securities	Retained Earnings
January 31, 1994	372,489	$ 617	$ (479)	$ 46	$ 4,817
Fiscal year ended January 31, 1995					
Net income before cumulative effect of accounting change					811
Cumulative effect of accounting change					(75)
Dividends paid ($.58 per share)					(216)
Change in currency translation adjustments			120		
Change in market value of equity securities, net of $70 tax benefit				(131)	
Shares issued — exercise of stock options	827	21			
— conversion of LYONs	31	1			
Shares purchased and retired	(810)	(1)			(22)
January 31, 1995	372,537	638	(359)	(85)	5,315
Fiscal year ended January 31, 1996					
Net income					3,406
Dividends paid ($.60 per share)					(224)
Change in currency translation adjustments			91		
Change in market value of equity securities, net of $265 tax				492	
Shares issued — exercise of stock options	2,056	57			
— conversion of LYONs	550	15			
Shares purchased and retired	(681)	(1)			(17)
January 31, 1996	374,462	709	(268)	407	8,480
Transition period ended June 30, 1996					
Net income					85
Dividends paid ($.30 per share)					(112)
Change in currency translation adjustments			22		
Change in market value of equity securities, net of $38 tax benefit				(70)	
Shares issued — exercise of stock options	612	18			
— conversion of LYONs	57	2			
Shares purchased and retired	(2,072)	(4)			(64)
June 30, 1996	373,059	725	(246)	337	8,389
Fiscal year ended June 30, 1997					
Net income					502
Dividends paid ($.645 per share)					(239)
Change in currency translation adjustments			(181)		
Change in market value of equity securities, net of $239 tax				444	
Shares issued — exercise of stock options	3,243	98			
— conversion of LYONs	296	9			
Shares purchased and retired	(11,317)	(23)			(393)
June 30, 1997	365,281	$ 809	$ (427)	$ 781	$ 8,259

The accompanying notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Seagram Company Ltd. operates in two global business segments: beverages and entertainment. The beverage businesses are engaged principally in the production and marketing of distilled spirits, wines, fruit juices, coolers, beers and mixers. The entertainment company, Universal Studios, Inc. ("Universal"), formerly known as MCA INC., produces and distributes motion picture, television and home video products, and recorded music; and operates theme parks and retail stores. The Company sold its book publishing unit during the fiscal year ended June 30, 1997 (Note 4).

More than 50 percent of the Company's shares are held by U.S. residents and, therefore, the Company has prepared its consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) which, in their application to the Company, conform in all material respects to Canadian GAAP. Differences between U.S. and Canadian GAAP and the magnitude thereof are discussed in Note 17. Should a material difference arise in the future, financial statements will be provided under both U.S. and Canadian GAAP.

Principles of Consolidation The consolidated financial statements include the accounts of The Seagram Company Ltd. and its subsidiaries. The equity method is used to account for unconsolidated affiliates owned 20 percent or more. In conformity with GAAP, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Foreign Currency Translation Except for operations in highly inflationary economies, affiliates outside the U.S. operating in the beverages segment use the local currency as the functional currency. For affiliates in countries considered to have a highly inflationary economy, inventories and property, plant and equipment are translated at historical exchange rates and translation effects are included in net income. Affiliates outside the U.S. operating in the entertainment segment principally use the U.S. dollar as the functional currency.

Inventories Inventories are stated at cost, which is not in excess of market, and consist principally of spirits, wines and fruit juices. The cost of spirits, wines and fruit juices inventories is determined by either the last-in, first-out (LIFO) method or the identified cost method. The cost of music, publishing, retail and home video inventories is determined by the first-in, first-out (FIFO) method.

In accordance with industry practice, current assets include spirits and wines which, in the Company's normal business cycle, are aged for varying periods of years.

Revenues and Costs

Film Generally, theatrical films are first distributed in the worldwide theatrical and home video markets. Subsequently, theatrical films are made available for worldwide pay television, network exhibition, television syndication and basic cable television. Generally, television films are first licensed for network exhibition and foreign syndication or home video, and subsequently for domestic syndication or cable television. Certain television films are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video.

Revenues from the theatrical distribution of films are recognized as the films are exhibited. Revenues from television and pay television licensing agreements are recognized when the films are available for telecast. Revenues from the sale of home video product, net of provision for estimated returns and allowances, are recognized upon availability of product for retail sale.

Generally, the estimated ultimate costs of completed theatrical and television film productions (including applicable capitalized overhead) are amortized and participation expenses are accrued for each production in the proportion of revenue recognized by the Company during the year to the total estimated future revenue to be received from all sources, under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value may occur.

Film costs, net of amortization, classified as current assets include the portion of unamortized costs of completed theatrical films allocated to theatrical, home video and pay television distribution markets; television films in production which are under contract of sale; and a portion of costs of completed television films. The allocated portion of released film costs expected to be realized from secondary markets or other exploitation is reported as a noncurrent asset. Other costs relating to film production, including the purchase price of literary properties and related film development costs, and the film library are classified as noncurrent assets. Abandoned story and development costs are charged to film production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value as periodically determined on a film-by-film basis. Approximately $300 million of the cost of the Universal acquisition was allocated to the film library and is being amortized on a straight-line basis principally over a 20 year life.

Recorded Music and Book Publishing Revenues from the sale of recorded music and books, net of provision for estimated returns and allowances, are recognized upon shipment. Advances to established recording artists and writers and direct costs associated with the creation of record masters and books are capitalized and are charged to expense as the related royalties are earned or when the amounts are determined to be unrecoverable. The advances are expensed when past performance or current popularity does not provide a sound basis for estimating that the advance will be recouped from royalties to be earned. Approximately $400 million of the cost of the Universal acquisition was allocated to artists' contracts, music catalogs and copyrights and is being amortized, on an accelerated basis, over a 14 to 20 year life.

Property, Plant and Equipment Property, plant and equipment is carried at cost. Depreciation is determined for financial reporting purposes using the straight-line method over estimated useful asset lives, generally at annual rates of 2–10 percent for buildings, 4–33 percent for machinery and equipment and 2–20 percent for other assets.

Excess of Cost Over Fair Value of Assets Acquired and Other Intangible Assets The unallocated excess of cost of purchased businesses over the fair value of assets acquired, the excess of investments in unconsolidated companies over the underlying equity in tangible net assets acquired and other intangible assets are being amortized on a straight-line basis over various periods from six to 40 years from the date of acquisition. The Company reviews the carrying value of goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Measurement of any impairment would include a comparison of discounted estimated future operating cash flows anticipated to be generated during the remaining amortization period of the goodwill to the net carrying value of goodwill.

Income Taxes Deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using presently enacted tax rates. Deferred taxes are not provided for that portion of undistributed earnings of foreign subsidiaries which is considered to be permanently reinvested.

Benefit Plans Retirement pensions are provided for substantially all of the Company's employees through either defined benefit or defined contribution plans sponsored by the Company or unions representing employees. For Company-sponsored defined benefit plans, pension expense and plan contributions are determined by independent consulting actuaries; pension benefits under defined benefit plans generally are based on years of service and compensation levels near the end of employee service. The funding policy for tax-qualified pension plans is consistent with statutory funding requirements and regulations. Contributions to defined contribution plans are funded and expensed currently. Postretirement health care and life insurance are provided to a majority of nonunion employees in the U.S. Postemployment programs, principally severance, are provided for the majority of nonunion employees. The cost of these programs is accrued based on actuarial studies. There is no advance funding for postretirement or postemployment benefits.

Stock-based Compensation Compensation cost attributable to stock option and similar plans is recognized based on the difference, if any, between the quoted market price of the stock on the date of grant over the exercise price of the option. The Company does not issue options at prices below market value at date of grant.

Financial Instruments The Company occasionally uses foreign exchange contracts to hedge a portion of its foreign indebtedness. In addition, the Company hedges foreign currency risk on intercompany payments through currency forwards and options which offset the exposure being hedged. Gains and losses on forward contracts are deferred and offset against foreign exchange gains and losses on the underlying hedged transaction. Gains and losses on forward contracts used to hedge foreign debt and intercompany payments are recorded in the income statement in selling, general and administrative expenses.

Comprehensive Income The Financial Accounting Standards Board recently issued FAS 130, *Reporting Comprehensive Income*, which is effective for the Company's fiscal year beginning July 1, 1998. The Company is still evaluating the presentation requirements of this pronouncement.

Reclassifications Certain prior period amounts in the financial statements and notes have been reclassified to conform with the current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TIME WARNER INC. ("TIME WARNER") INVESTMENT   NOTE 1

On May 28, 1997, the Company sold 30 million of its 56.8 million shares of Time Warner common stock for pretax proceeds of $1.39 billion. The gain on the sale of the shares, included in interest, net and other, was $154 million ($100 million after tax) in accordance with the specific identification method.

At June 30, 1997, the Company's remaining 26.8 million Time Warner shares, which are accounted for at market value, had a total cost of $937 million.

DUPONT SHARE REDEMPTION AND REMAINING DUPONT INVESTMENT   NOTE 2

On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed 156 million shares of its common stock owned by the Company for $8.336 billion plus share purchase warrants which the Company valued as of the date of the transaction at $440 million. The Company received after-tax proceeds of approximately $7.7 billion from the transaction. The $3.2 billion gain on the transaction was net of a $2 billion tax provision of which $1.5 billion was deferred. The Company has retained 16.4 million shares of DuPont common stock, post-split (on June 12, 1997, DuPont common stock was split two-for-one), which were carried at their market value of $1.03 billion at June 30, 1997. The underlying historical value of the remaining DuPont shares is $187 million which represents the historical cost of the retained shares plus unremitted earnings related to those shares.

The warrants were sold to DuPont for $500 million on July 24, 1996. The gain on the sale of the warrants was $60 million ($39 million after tax) and is reflected in interest, net and other in the fiscal year ended June 30, 1997.

During the fiscal year ended January 31, 1995, the Company owned 164.2 million shares, pre-split, (approximately 24 percent) of the outstanding common stock of DuPont and accounted for its interest in DuPont using the equity method, whereby its proportionate share of DuPont's earnings was included in income. Financial information for DuPont for its year ended December 31, 1994 follows.

DUPONT FINANCIAL INFORMATION

Millions	*Year Ended December 31, 1994*
Sales and other income	$ 40,259
Cost of goods sold and all other expenses	35,877
Provision for income taxes	1,655
Net income	$ 2,727

ACQUISITION OF 80 PERCENT INTEREST IN UNIVERSAL STUDIOS HOLDING I CORP.   NOTE 3

On June 5, 1995, the Company completed its purchase of an 80 percent interest in Universal Studios Holding I Corp. ("Universal"), formerly MCA Holding I Corp., the indirect parent of Universal Studios, Inc., formerly MCA INC., from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for $5.7 billion. Matsushita retains a 20 percent interest in Universal.

The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in $2.6 billion of unallocated excess of cost over fair value of assets acquired which is being amortized over 40 years.

The unaudited condensed pro forma income statement data which follows assumes the Universal acquisition and the redemption of 156 million shares of DuPont common stock occurred at the beginning of each period presented. The unaudited condensed pro forma income statement data were prepared based upon the historical consolidated income statements of the Company for the fiscal years ended January 31, 1996 and 1995, and of Universal for the five months ended May 31, 1995 and the twelve months ended December 31, 1994, adjusted to reflect purchase accounting. Financial results for Universal for the seven-month period June 1995 through December 1995 were included in the Company's results for the fiscal year ended January 31, 1996. The unaudited pro forma information is not necessarily indicative of the combined results of operations of the Company and Universal that would have resulted if the transactions had occurred on the dates previously indicated, nor is it necessarily indicative of future operating results of the Company.

PRO FORMA INCOME STATEMENT DATA

Millions, Except Per Share Amounts (Unaudited)	Fiscal Years Ended January 31, 1996	1995
Revenues	$ 11,667	$ 11,217
Income before cumulative effect of accounting change	$ 154	$ 346
Cumulative effect of accounting change	–	(75)
Net income	$ 154	$ 271
Per share data:		
Income before cumulative effect of accounting change	$ .41	$ .93
Cumulative effect of accounting change	–	(.20)
Net income	$ .41	$ .73

The above pro forma presentation excludes the $3.2 billion after-tax gain on the redemption of the DuPont shares.

SALE OF PUBLISHING GROUP | NOTE 4

On December 16, 1996, the Company completed the sale of its book publishing unit, The Putnam Berkley Group, Inc. ("Putnam"). Proceeds from the sale were $330 million, resulting in a $64 million pretax gain on the disposition. There was no after-tax gain or loss due to the write-off of non-tax-deductible goodwill associated with Putnam. The operating results of Putnam through December 16, 1996 are included in operating income.

ACQUISITION OF THE JUICE BEVERAGE BUSINESS OF THE DOLE FOOD COMPANY, INC. ("DOLE") NOTE 5

On May 19, 1995, the Company acquired the worldwide juice and juice beverage business of Dole for $276 million. The transaction excluded Dole's canned pineapple juice business. The reported operating results for the fiscal year ended January 31, 1996 reflect the results of operations of the acquired business from the acquisition date. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in $134 million of unallocated excess cost over fair value of assets acquired which is being amortized over 40 years. The impact of this acquisition was not material to the consolidated results of the Company.

INVESTMENTS IN UNCONSOLIDATED COMPANIES | NOTE 6

The Company has a number of investments in unconsolidated companies which are 50 percent or less owned or controlled and are carried in the consolidated balance sheet on the equity method.

Entertainment Segment Significant investments at June 30, 1997 include USA Networks, owner of three advertiser-supported cable television services, USA Network, the Sci-Fi Channel, and Sci-Fi Europe (50 percent owned); Cineplex Odeon Corporation, primarily engaged in theatrical exhibition of motion pictures in the U.S. and Canada (42 percent owned); United International Pictures, a distributor of theatrical and pay television product outside the U.S. and Canada (33 percent owned); Cinema International BV, primarily engaged in marketing of home video product outside the U.S. and Canada (49 percent owned); Cinema International Corporation and United Cinemas International, both engaged in theatrical exhibition of motion pictures in territories outside the U.S. and Canada (49 percent owned); Brillstein-Grey Entertainment (49.5 percent owned) which owns 50 percent of Brillstein-Grey Communications, a producer of network television series; Universal City Florida Partners, which owns Universal Studios Florida, a motion picture and television themed tourist attraction and production facility in Orlando, Florida (50 percent owned); Universal City Development Partners, which has begun development on land adjacent to Universal Studios Florida of an additional themed tourist attraction, Universal Islands of Adventure, and commercial real estate (50 percent owned); USJ Co., Ltd., which has begun development of a motion picture themed tourist attraction, Universal Studios Japan, and commercial real estate in Osaka, Japan (11 percent owned at June 30, 1997; ownership increased to 21 percent in July 1997 and is committed to increase further to 24 percent in fiscal 1998); SEGA GameWorks, which designs, develops and operates location-based entertainment centers (31 percent owned); and Interplay Productions, an entertainment software developer (48 percent owned).

Beverages Segment Significant investments at June 30, 1997 include Doosan Seagram Co., Ltd., which is engaged in the production and marketing of whisky products in South Korea (50 percent owned); Seagram (Thailand) Limited, an importer and distributor of spirits and wines (49 percent owned); Kirin-Seagram Limited, engaged in the manufacture, sale and

distribution of distilled beverage alcohol and wines in Japan (50 percent owned); and Kirin-Tropicana Inc., engaged in the manufacture, sale and distribution, import and export of fruit juice beverages (50 percent owned).

Summarized financial information, derived from unaudited historical financial information, is presented below for the Company's investments in unconsolidated companies.

SUMMARIZED BALANCE SHEET INFORMATION

Millions	*June 30, 1997*	*June 30, 1996*	*January 31, 1996*
Current assets	$ 1,414	$ 1,290	$ 1,102
Noncurrent assets	2,569	2,317	2,219
Total assets	$ 3,983	$ 3,607	$ 3,321
Current liabilities	$ 1,205	$ 1,049	$ 920
Noncurrent liabilities	1,427	1,219	1,254
Equity	1,351	1,339	1,147
Total liabilities and equity	$ 3,983	$ 3,607	$ 3,321
Proportionate share of net assets of unconsolidated companies	$ 624	$ 612	$ 549

Approximately $1.5 billion of the cost of the Universal acquisition was allocated to the investment in unconsolidated companies and is being amortized on a straight-line basis over 40 years.

SUMMARIZED STATEMENT OF OPERATIONS

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Year Ended January 31, 1996*
Revenues	$ 4,920	$ 2,168	$ 2,851
Earnings before interest and taxes	357	188	214
Net income	235	129	137

The Company's operating income includes $127 million, $57 million and $72 million in equity in the earnings of unconsolidated companies for the fiscal year ended June 30, 1997, the transition period ended June 30, 1996, and the fiscal year ended January 31, 1996, respectively, principally in the entertainment segment.

LONG-TERM INDEBTEDNESS AND CREDIT ARRANGEMENTS NOTE 7

LONG-TERM INDEBTEDNESS

Millions	*June 30, 1997*	*June 30, 1996*	*January 31, 1996*
9% Debentures due December 15, 1998 (C$200 million)*	$ 156	$ 156	$ 156
Unsecured term bank loans, due 1997 to 1999, with a weighted average interest rate of 4.77%	190	251	267
6.5% Debentures due April 1, 2003	200	200	200
8.35% Debentures due November 15, 2006	200	200	200
8⅜% Guaranteed Debentures due February 15, 2007	200	200	200
7% Guaranteed Debentures due April 15, 2008	200	200	200
8⅞% Guaranteed Debentures due September 15, 2011	223	223	223
9.65% Guaranteed Debentures due August 15, 2018	249	249	249
9% Guaranteed Debentures due August 15, 2021	198	198	198
8.35% Debentures due January 15, 2022	199	199	199
6.875% Debentures due September 1, 2023	200	200	200
6% Swiss Franc Bonds due September 30, 2085 (SF 250 million)	171	200	206
Sundry	147	217	444
	2,533	2,693	2,942
Indebtedness payable within one year	(39)	(131)	(53)
	$ 2,494	$ 2,562	$ 2,889

*All principal and interest payments for these 9% Debentures were converted at issuance through a series of currency exchange contracts from Canadian dollars to U.S. dollars with an effective interest rate of 7.7%.

The Company's unused lines of credit totaled $3.8 billion and have varying terms of up to five years. At June 30, 1997, short-term borrowings comprised $216 million of bank borrowings bearing interest at market rates.

Interest expense on long-term indebtedness was $218 million in the fiscal year ended June 30, 1997, $96 million in the transition period ended June 30, 1996, and $236 million and $246 million in the fiscal years ended January 31, 1996 and 1995, respectively. Annual repayments and redemptions of long-term indebtedness for the five fiscal years subsequent to June 30, 1997 are: 1998 – $39 million; 1999 – $289 million; 2000 – $30 million; 2001 – $1 million; and 2002 – $0.

Joseph E. Seagram & Sons, Inc. ("JES"), the Company's U.S. spirits and wine subsidiary, has outstanding $10 million of Liquid Yield Option Notes (LYONs), which are zero coupon notes with no interest payments due until maturity on March 5, 2006. Each $1,000 face amount LYON may be converted, at the holder's option, into 18.44 of the Company's common shares (353,146 shares at June 30, 1997). The Company has guaranteed the LYONs on a subordinated basis.

In addition, the Company has unconditionally guaranteed JES's $8\frac{3}{8}$ percent Debentures due February 15, 2007, 7 percent Debentures due April 15, 2008, $8\frac{7}{8}$ percent Debentures due September 15, 2011, 9.65 percent Debentures due August 15, 2018 and 9 percent Debentures due August 15, 2021.

Summarized below is the JES financial information:

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
Revenues	$ 3,754	$ 1,362	$ 4,031	$ 4,566
Cost of revenues	2,790	1,062	2,976	3,125
Income before discontinued DuPont activities and cumulative effect of accounting change	87	57	43	60
Discontinued DuPont activities, after tax	–	–	3,232	617
Cumulative effect of accounting change	–	–	–	(56)
Net income	$ 87	$ 57	$ 3,275	$ 621

	June 30, 1997	*June 30, 1996*	*January 31, 1996*
Current assets	$ 957	$ 1,348	$ 1,412
Noncurrent assets	12,666	11,702	11,442
	$ 13,623	$ 13,050	$ 12,854
Current liabilities	$ 671	$ 1,028	$ 720
Noncurrent liabilities	3,809	3,175	3,357
Shareholders' equity	9,143	8,847	8,777
	$ 13,623	$ 13,050	$ 12,854

FINANCIAL INSTRUMENTS AND EQUITY SECURITIES NOTE 8

The Company selectively uses foreign currency forward and option contracts to offset the effects of exchange rate changes on cash flow exposures denominated in foreign currencies. These exposures include intercompany trade accounts, service fees, intercompany loans and third-party debt. The Company does not use derivative financial instruments for trading or speculative purposes.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity and is not a measure of the Company's exposure through its use of derivatives.

At June 30, 1997, the Company held foreign currency forward contracts and options to purchase and sell foreign currencies, including cross-currency contracts and options to sell one foreign currency for another currency, with notional amounts totalling $781 million ($304 million at June 30, 1996). The notional amounts of these contracts, which mature at various dates through December 1998, are summarized below:

Millions	*June 30, 1997*		*June 30, 1996*	
	Buy	*Sell*	*Buy*	*Sell*
Canadian dollar	$ 164	$ –	$ 177	$ –
British pound	–	126	–	14
U.S. dollar	–	244	42	3
New Zealand dollar	25	–	20	–
French franc	–	131	–	6
Japanese yen	–	38	–	–
Italian lira	–	22	–	20
German mark	–	9	–	8
Other currencies	–	22	–	14
	$ 189	$ 592	$ 239	$ 65

The Company minimizes its credit exposure to counterparties by entering into contracts only with highly-rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although the Company's credit risk is the replacement cost at the then-estimated fair value of the instrument, management believes that the risk of incurring losses is remote and that such losses, if any, would not be material. The market risk related to the foreign exchange agreements should be offset by changes in the valuation of the underlying items being hedged.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and short-term investments The carrying amount reported in the balance sheet for cash and short-term investments approximates their fair value.

Foreign currency exchange contracts The fair value of forward exchange contracts is based on quoted market prices from banks.

Short- and long-term debt The carrying amounts of commercial paper and short-term bank loans approximate their fair value. The fair value of the Company's long-term debt is estimated based on the quoted market prices for similar issues.

	June 30, 1997		*June 30, 1996*	
Millions	*Carrying Amount*	*Fair Value*	*Carrying Amount*	*Fair Value*
Cash and short-term investments	$ 504	$ 504	$ 279	$ 279
Foreign currency exchange contracts	(10)	(13)	(15)	(15)
Short-term debt	255	255	1,850	1,850
Long-term debt	2,494	2,695	2,562	2,741

EQUITY SECURITIES

The following is a summary of available-for-sale securities comprised of the common stock of DuPont and Time Warner and DuPont warrants:

Millions	*June 30, 1997*	*June 30, 1996*	*January 31, 1996*
Cost	$ 1,124	$ 2,357	$ 2,357
Gross Unrealized Gain	1,201	522	630
Fair Value	2,325	2,879	2,987

COMMON SHARES, EARNINGS PER SHARE AND STOCK OPTIONS NOTE 9

The Company is authorized to issue an unlimited number of common and preferred shares without nominal or par value. At June 30, 1997, 33,314,272 common shares were potentially issuable upon the conversion of the LYONs and the exercise of employee stock options. The dilutive effect on earnings per share from the assumed issuance of these shares would be less than three percent. Net income per share was based on the following weighted average number of shares outstanding during the fiscal period ended June 30, 1997 – 369,682,224; June 30, 1996 – 373,857,915; January 31, 1996 – 373,116,794 and 1995 – 372,499,060.

In the fiscal year ended January 31, 1996, the Company granted 66,500 restricted shares with a weighted average grant-date fair value of $35.69 per share. These shares have voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restrictions on 33,250 of the restricted shares lapsed on October 1, 1996; the balance will lapse on October 1, 1997.

The Company plans to implement FAS 128, *Earnings per Share*, effective with the second quarter of the fiscal year ending June 30, 1998. Had FAS 128 been implemented as of July 1, 1996, the Company would have reported Basic earnings per share of $1.36 and Diluted earnings per share of $1.35 for the fiscal year ended June 30, 1997.

STOCK OPTION PLANS

Under the Company's employee stock option plans, options may be granted to purchase the Company's common shares at not less than the fair market value of the shares on the date of the grant. Currently outstanding options become exercisable one to five years from the grant date and expire 10 years after the grant date.

The Company has adopted FAS 123, *Accounting for Stock-Based Compensation*. In accordance with the provisions of FAS 123, the Company applies APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans other than for restricted stock. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under these plans consistent with the fair value methodology prescribed by FAS 123, the Company's net income and earnings per share would be reduced to the pro forma amounts indicated below:

Millions, Except Per Share Amounts	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Year Ended January 31, 1996*
Net Income:			
As reported	$ 502	$ 85	$ 3,406
Pro forma	469	73	3,383
Earnings per common share:			
As reported	$1.36	$ .23	$ 9.13
Pro forma	1.27	.19	9.07

These pro forma amounts may not be representative of future disclosures. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for the fiscal year ended June 30, 1997, the transition period ended June 30, 1996 and the fiscal year ended January 31, 1996, respectively: dividend yields of 1.6, 1.8 and 1.9 percent; expected volatility of 24, 22 and 20 percent; risk-free interest rates of 6.7, 6.0 and 6.6 percent; and expected life of six years for all periods. The weighted average fair value of options granted during the fiscal year ended June 30, 1997, the transition period ended June 30, 1996 and the fiscal year ended January 31, 1996 for which the exercise price equals the market price on the grant date was $12.18, $9.70 and $9.23, respectively. The weighted average fair value of options granted during the transition period ended June 30, 1996 for which the exercise price exceeded the market price on the grant date was $6.91.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Transactions involving stock options are summarized as follows:

Description	*Stock Options Outstanding*	*Weighted Average Exercise Price of Options Outstanding*
Balance, January 31, 1994	16,274,027	$ 24.40
Granted	3,677,695	30.56
Exercised	(827,040)	23.42
Cancelled	(219,880)	28.85
Balance, January 31, 1995	18,904,802	25.59
Granted	6,293,023	31.94
Exercised	(2,055,830)	24.37
Cancelled	(140,840)	29.96
Balance, January 31, 1996	23,001,155	27.45
Granted	6,757,978	35.41
Exercised	(611,855)	25.97
Cancelled	(61,040)	31.56
Balance, June 30, 1996	29,086,238	29.33
Granted	7,366,978	38.97
Exercised	(3,242,766)	25.93
Cancelled	(249,324)	33.02
Balance, June 30, 1997	32,961,126	31.79

The following table summarizes information concerning currently outstanding and exercisable stock options:

Range of Exercise Prices	*Number Outstanding*	*Weighted Average Remaining Contractual Life*	*Weighted Average Exercise Price*	*Number Exercisable*	*Weighted Average Exercise Price*
$10–$20	2,319,117	2.2 yrs.	$ 18.15	2,319,117	$ 18.15
$20–$30	9,370,980	5.1	27.03	8,480,980	26.97
$30–$40	20,486,029	8.6	34.91	8,197,735	31.59
$40–$50	785,000	8.8	47.37	150,000	47.70
	32,961,126			19,147,832	

INCOME TAXES . NOTE 10

The following tables summarize the sources of pretax income and the resulting income tax expense.

GEOGRAPHIC COMPONENTS OF PRETAX INCOME

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
U.S.	$ 255	$ (133)	$ 82	$ (24)
Canada	70	(24)	17	15
Other jurisdictions	574	222	250	372
Income before minority interest and discontinued DuPont activities	899	65	349	363
Discontinued DuPont activities	–	–	5,283	637
Income before minority interest	$ 899	$ 65	$ 5,632	$ 1,000

COMPONENTS OF INCOME TAX EXPENSE

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
Income tax expense (benefit) applicable to:				
Continuing operations	$ 385	$ 52	$ 153	$ 104
1981 transaction*	–	(67)	–	65
Discontinued DuPont activities	–	–	2,051	20
Total income tax expense (benefit)	$ 385	$ (15)	$ 2,204	$ 189

**The 1981 transaction relates to a loss disallowed by the U.S. Tax Court on the exchange of common stock of Conoco Inc. for DuPont. In June, 1996, the Company and the IRS reached a settlement whereby a portion of the original loss was allowed.*

Current				
Continuing operations				
Federal	$ 224	$ (14)	$ 26	$ (12)
State and local	43	6	19	–
1981 transaction	–	(105)	–	188
Other jurisdictions	170	83	94	107
	437	(30)	139	283
Discontinued DuPont activities	–	–	612	20
	437	(30)	751	303
Deferred				
Continuing operations				
Federal	(24)	(8)	39	4
State and local	(19)	(2)	(2)	–
1981 transaction	–	38	–	(123)
Other jurisdictions	(9)	(13)	(23)	5
	(52)	15	14	(114)
Discontinued DuPont activities	–	–	1,439	–
	(52)	15	1,453	(114)
Total income tax expense (benefit)	$ 385	$ (15)	$ 2,204	$ 189

COMPONENTS OF NET DEFERRED TAX LIABILITY

Millions	*June 30, 1997*	*June 30, 1996*	*January 31, 1996*
Basis and amortization differences	$ 547	$ 471	$ 428
DuPont share redemption	1,540	1,540	1,489
Time Warner and DuPont investments	420	183	220
Unremitted foreign earnings	59	27	17
Other, net	20	86	80
Deferred tax liabilities	2,586	2,307	2,234
Deferred revenue	(132)	–	–
Employee benefits	(117)	(102)	(101)
Tax credit carryovers	(49)	(172)	(150)
Valuation, doubtful accounts and return reserves	(262)	(323)	(269)
Other, net	(128)	(99)	(24)
Deferred tax assets	(688)	(696)	(544)
Valuation allowance	42	150	134
	(646)	(546)	(410)
Net deferred tax liability	$ 1,940	$ 1,761	$ 1,824

The Company has U.S. tax credit carryovers of $49 million, $13 million of which has no expiration date and $36 million of which have expiration dates through 2009. The valuation allowance arises from uncertainty as to the realization of certain U.S. tax credit carryforwards. If realized, these benefits would be applied to reduce the Universal unallocated excess purchase price.

EFFECTIVE INCOME TAX RATE – CONTINUING OPERATIONS

	Fiscal Year Ended June 30, 1997	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*Fiscal Years Ended January 31, 1995*
U.S. statutory rate	35%	35%	35%	35%
1981 transaction	–	(103)	–	18
State and local	2	4	3	–
Dividends received deduction	(1)	(7)	(3)	(3)
Goodwill amortization	7	45	11	4
Other	–	3	(2)	(7)
Effective income tax rate — continuing operations	43%	(23%)	44%	47%

Various taxation authorities have proposed or levied assessments for additional income taxes of prior years. Management believes that settlements will not have a material effect on the results of operations, financial position or liquidity of the Company.

BENEFIT PLANS | NOTE 11

PENSION

Pension costs were $48 million for the fiscal year ended June 30, 1997, $27 million for the transition period ended June 30, 1996 and $45 million and $24 million for the fiscal years ended January 31, 1996 and 1995, respectively.

The Company has defined benefit pension plans which cover certain U.S. employees. The net cost of the Company's U.S. pension plans was based on an expected long-term return on plan assets of 10.75 percent for the fiscal year ended June 30, 1997, 10 percent for the transition period ended June 30, 1996 and 10.75 percent for each of the fiscal years ended January 31, 1996 and 1995. A discount rate of 7.75 percent was used in determining the actuarial present value of the projected benefit obligation at June 30, 1997 and 1996; a discount rate of 7.0 percent was used at January 31, 1996. The assumed rates of increase in future compensation levels were five to six percent for the fiscal year ended June 30, 1997 and the transition period ended June 30, 1996, 4.5 to 5.5 percent for the fiscal year ended January 31, 1996, and six to seven percent for the fiscal year ended January 31, 1995. Plans outside the U.S. used assumptions in determining the actuarial present value of projected benefit obligations that reflect the economic environments within the various countries, and therefore are consistent with (but not identical to) those of the U.S. plans.

The majority of the pension arrangements for the Company's employees of affiliates outside the U.S., the United Kingdom and Canada are either insured or government sponsored. In those affiliates outside of the U.S. where defined benefit plans exist (United Kingdom, Canada and France), the net periodic pension cost was $6 million for the fiscal year ended June 30, 1997, $3 million for the transition period ended June 30, 1996 and $6 million for each of the fiscal years ended January 31, 1996 and 1995. At June 30, 1997, the present value of these plans' projected benefit obligation was $309 million, $283 million of which was for vested benefits; the fair value of plan assets was $361 million.

NET COST OF U.S. DEFINED BENEFIT PENSION PLANS

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
Service cost — benefits earned during the period	$ 20	$ 8	$ 17	$ 18
Interest cost on Projected Benefit Obligation	54	22	52	47
Return on plan assets				
Actual (gain) loss	(174)	(55)	(204)	11
Deferred actuarial gain (loss)	94	26	147	(75)
Net amortization	2	2	4	4
Net pension (income) cost	$ (4)	$ 3	$ 16	$ 5

STATUS OF U.S. DEFINED BENEFIT PENSION PLANS

	June 30, 1997		*June 30, 1996*		*January 31, 1996*	
Millions	*Assets Exceed Accumulated Benefits*	*Accumulated Benefits Exceed Assets*	*Assets Exceed Accumulated Benefits*	*Accumulated Benefits Exceed Assets*	*Assets Exceed Accumulated Benefits*	*Accumulated Benefits Exceed Assets*
Actuarial present value of Vested Benefit Obligation	$ (517)	$ (82)	$ (501)	$ (78)	$ (532)	$ (82)
Accumulated Benefit Obligation	$ (543)	$ (85)	$ (525)	$ (81)	$ (559)	$ (84)
Projected Benefit Obligation	$ (625)	$ (110)	$ (609)	$ (105)	$ (648)	$ (110)
Plan assets at fair value, principally equity securities	892	–	757	–	715	–
Plan assets in excess of (less than) Projected Benefit Obligation	267	(110)	148	(105)	67	(110)
Deferred net actuarial (gain) loss	(195)	35	(95)	38	(20)	46
Unamortized prior service cost	7	5	7	6	6	6
Unamortized transition obligation	–	2	–	3	–	3
Recognition of minimum liability	–	(17)	–	(23)	–	(30)
Prepaid (accrued) pension cost	$ 79	$ (85)	$ 60	$ (81)	$ 53	$ (85)

The Company has defined contribution plans covering certain U.S. employees. Contributions made to these plans are included in consolidated pension costs.

POSTRETIREMENT

The Company provides retiree health care and life insurance benefits covering certain retirees. Certain U.S. salaried and certain hourly employees are eligible for benefits upon retirement and completion of a specified number of years of service.

The components of net periodic postretirement benefit cost are as follows:

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
Service cost — benefits earned during the period	$ 4	$ 2	$ 3	$ 3
Interest cost on accumulated postretirement benefit obligation	14	6	14	11
Amortization of prior service cost	(4)	(2)	(4)	(4)
Net postretirement benefit cost	$ 14	$ 6	$ 13	$ 10

The accumulated postretirement benefit obligation, included in other credits in the accompanying balance sheet, comprises the following:

Millions	*June 30, 1997*	*June 30, 1996*	*January 31, 1996*
Retirees	$ 113	$ 125	$ 132
Fully eligible active plan participants	28	25	27
Other active plan participants	48	46	50
Unrecognized:			
Actuarial gain (loss)	15	3	(11)
Prior service cost	33	37	39
Accrued postretirement benefit obligation	$ 237	$ 236	$ 237

Future benefit costs were estimated assuming medical costs would increase at an 8.8 percent annual rate, decreasing to a 5.5 percent annual growth rate ratably over the next five years, and then remaining at a 5.5 percent growth rate thereafter. A one-percentage-point increase in this annual trend rate would have increased the postretirement benefit obligation at June 30, 1997 by $11 million ($7 million after tax), with an increase in pretax expense of $1 million for the fiscal year ended June 30, 1997. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation was 7.75 percent at June 30, 1997 and 1996 and 7.0 percent at January 31, 1996.

POSTEMPLOYMENT

The Company adopted Financial Accounting Standard No. 112, *Employers' Accounting for Postemployment Benefits* (FAS 112), in the first quarter of the fiscal year ended January 31, 1995, resulting in a $75 million charge, net of $40 million of deferred tax benefit. FAS 112 requires that the expected cost of postemployment benefits be recognized when they are earned rather than when they are paid. The postemployment obligation was increased to reflect the reengineering activities described in Note 14.

BUSINESS SEGMENT DATA

Millions	*Beverages*	*Entertainment*	*Corporate* [1]	*Total*
June 30, 1997				
Revenues	$ 6,967	$ 5,593	$ –	$ 12,560
Depreciation and amortization of assets	164	185	4	353
Amortization of goodwill	51	143	–	194
Operating income (expense)	823	242	(132)	933
Identifiable assets	7,429	10,670	2,837	20,936
Capital expenditures	301	206	–	507
June 30, 1996 (Transition period)				
Revenues	$ 2,653	$ 2,360	$ –	$ 5,013
Depreciation and amortization of assets	70	86	2	158
Amortization of goodwill	22	62	–	84
Operating income (expense)	225	1	(47)	179
Identifiable assets	7,665	10,269	3,694	21,628
Capital expenditures	168	136	1	305
January 31, 1996				
Revenues	$ 6,694	$ 3,053	$ –	$ 9,747
Depreciation and amortization of assets	154	97	4	255
Amortization of goodwill	51	62	–	113
Operating income (expense)	456[2]	205	(77)	584
Identifiable assets	7,603	9,997	3,755	21,355
Capital expenditures	257	175	1	433
January 31, 1995				
Revenues	$ 6,399		$ –	$ 6,399
Depreciation and amortization of assets	134		4	138
Amortization of goodwill	46		–	46
Operating income (expense)	781		(56)	725
Identifiable assets	7,028		5,964	12,992
Capital expenditures	156		16	172

[1] *Includes (i) corporate expenses and assets not identifiable with either business segment, and (ii) DuPont and Time Warner holdings, which represented 82%, 90%, 91%, and 96% of corporate assets at June 30, 1997 and 1996 and January 31, 1996 and 1995, respectively.*

[2] *Includes a $290 million charge related to reengineering activities.*

The Financial Accounting Standards Board recently issued FAS 131, *Disclosures about Segments of an Enterprise and Related Information*, which is effective for the Company's fiscal year beginning July 1, 1998. The Company is still evaluating the impact of adopting this pronouncement.

GEOGRAPHIC DATA

Millions	Revenues[1] Unrelated Parties	Inter-company	Operating Income	Total Assets[2]
June 30, 1997				
U.S.	$ 7,057	$ 172	$ 132	$ 13,150
Europe	3,679	390	544	4,168
Asia Pacific	960	–	46	559
Latin America	480	27	37	355
Canada	384	235	174	379
	$ 12,560	$ 824	$ 933	$ 18,611
June 30, 1996 (Transition period)				
U.S.	$ 2,735	$ 73	$ (105)	$ 12,773
Europe	1,588	176	239	4,402
Asia Pacific	395	–	(8)	429
Latin America	147	13	22	288
Canada	148	61	31	417
	$ 5,013	$ 323	$ 179	$ 18,309
January 31, 1996				
U.S.	$ 5,185	$ 167	$ 131	$ 12,171
Europe	3,026	464	276	4,585
Asia Pacific	860	–	30	463
Latin America	415	29	14	324
Canada	261	212	133	385
	$ 9,747	$ 872	$ 584	$ 17,928
January 31, 1995				
U.S.	$ 2,818	$ 112	$ 160	$ 2,510
Europe	2,254	400	365	3,749
Asia Pacific	750	–	15	395
Latin America	440	30	43	388
Canada	137	207	142	237
	$ 6,399	$ 749	$ 725	$ 7,279

[1] Revenues are classified based upon the location of the legal entity which invoices the customer rather than the location of the customer. Revenues among geographic areas include intercompany transactions on a current market price basis.

[2] Excludes DuPont and Time Warner holdings.

FISCAL YEAR CHANGE | NOTE 13

Effective June 30, 1996, the Company changed its fiscal year-end from January 31 to June 30. Accordingly, the consolidated financial statements include the results of operations for the transition period, which are not necessarily indicative of operations for a full year.

Results for the comparable prior year period are summarized below.

Millions, Except Per Share Amounts (Unaudited)	*Five Months Ended June 30, 1995*
Revenues	$ 2,715
Operating income	256
Provision for income taxes	63
Income before discontinued DuPont activities	117
Discontinued DuPont activities, after tax	3,232
Net income	3,349
EARNINGS PER SHARE	
Income before discontinued DuPont activities	$ .32
Discontinued DuPont activities, after tax	8.67
Net income	8.99

REENGINEERING ACTIVITIES | NOTE 14

In connection with a program to better position its beverage operations to achieve their strategic growth objectives, the Company recorded a pretax charge of $290 million in the fiscal year ended January 31, 1996. The charge related principally to the Company's global spirits and wine manufacturing, financial, marketing and distribution systems and includes rationalization of facilities in the U.S. and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the spirits and wine business operates. The components of the $290 million charge reflected approximately a $100 million provision for severance costs, $120 million for asset write-downs/impairments and $70 million for facility rationalization, including lease terminations, and other reengineering programs.

ADDITIONAL FINANCIAL INFORMATION NOTE 15

INCOME STATEMENT AND CASH FLOW DATA

Millions	*Fiscal Year Ended June 30, 1997*	*Transition Period Ended June 30, 1996*	*Fiscal Years Ended January 31, 1996*	*1995*
INTEREST, NET AND OTHER				
Interest expense	$ 326	$ 151	$ 378	$ 408
Interest income	(34)	(13)	(102)	(10)
Dividend income	(40)	(19)	(38)	(34)
Capitalized interest	(4)	(5)	(3)	(2)
Gain on sale of Time Warner shares	(154)			
Gain on sale of DuPont warrants	(60)			
	$ 34	$ 114	$ 235	$ 362
EXCISE TAXES				
(included in revenues and cost of revenues)	$ 808	$ 296	$ 812	$ 836
CASH FLOW DATA				
Interest paid, net	$ 293	$ 113	$ 262	$ 361
Income taxes paid (refunded)	$ 138	$ (37)	$ 1,083	$ 101

BALANCE SHEET DATA

Millions	June 30, 1997	June 30, 1996	January 31, 1996
RECEIVABLES			
Trade	$ 1,899	$ 1,860	$ 2,370
Other	430	267	189
	2,329	2,127	2,559
Allowance for doubtful accounts and other valuation accounts	(314)	(357)	(283)
	$ 2,015	$ 1,770	$ 2,276
INVENTORIES			
Beverages	$ 2,704	$ 2,789	$ 2,600
Materials, supplies and other	270	353	314
	$ 2,974	$ 3,142	$ 2,914
LIFO INVENTORIES			
Estimated replacement cost	$ 631	$ 680	$ 473
Excess of replacement cost over LIFO carrying value	(169)	(175)	(180)
	$ 462	$ 505	$ 293
FILM COSTS, NET OF AMORTIZATION			
THEATRICAL FILM COSTS			
Released	$ 468	$ 490	$ 588
In process and unreleased	501	386	295
	969	876	883
TELEVISION FILM COSTS			
Released	368	368	391
In process and unreleased	41	10	26
	409	378	417
	$ 1,378	$ 1,254	$ 1,300

Unamortized costs related to released theatrical and television films aggregated $836 million at June 30, 1997. Excluding the portion of the purchase price allocated to the film library which is being amortized over a 20 year life, the Company currently anticipates that approximately 81 percent of the unamortized released film costs will be amortized under the individual film forecast method during the three years ending June 30, 2000.

Millions	June 30, 1997	June 30, 1996	January 31, 1996
PROPERTY, PLANT AND EQUIPMENT			
Land	$ 543	$ 544	$ 528
Buildings and improvements	1,577	1,367	1,297
Machinery and equipment	1,634	1,531	1,456
Furniture and fixtures	338	348	355
Construction in progress	343	294	226
	4,435	4,084	3,862
Accumulated depreciation	(1,310)	(1,133)	(1,056)
	$ 3,125	$ 2,951	$ 2,806
PAYABLES AND ACCRUED LIABILITIES			
Trade	$ 457	$ 576	$ 596
Other	1,626	1,510	1,568
	$ 2,083	$ 2,086	$ 2,164

COMMITMENTS AND CONTINGENCIES | NOTE 16

The Company has various commitments for the purchase or construction of property, plant and equipment, materials, supplies and items of investment related to the ordinary conduct of business.

The Company has entered into an arrangement to sell to a third party substantially all films produced or acquired during the term of the agreement for amounts which approximate cost. The Company will serve as sole distributor and earn a distribution fee, which is variable and contingent upon the films' performance. In addition, the Company has the option to purchase the films at certain future dates.

The Company is involved in various lawsuits, claims and inquiries. Management believes that the resolution of these matters will not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

DIFFERENCES BETWEEN U.S. AND CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES NOTE 17

Differences between U.S. and Canadian GAAP for these financial statements are:

(i) The common stock in DuPont and Time Warner would be carried at cost under Canadian GAAP, thereby reducing shareholders' equity by $781 million or eight percent at June 30, 1997. There is no effect on net income.

(ii) The gain on the sale of the Time Warner shares would be computed according to the average cost method under Canadian GAAP. The after-tax gain would be increased by $58 million under this method.

(iii) The deferred tax liability at June 30, 1997 under Canadian GAAP, rather than under FAS 109, would be approximately $30 million lower and shareholders' equity $30 million higher. (A draft accounting standard has been issued in Canada which, if adopted, will eliminate this difference.)

(iv) Proportionate consolidation of joint ventures under Canadian GAAP would increase assets and liabilities by approximately $1.02 billion and increase working capital by approximately $110 million at June 30, 1997. There is no effect on net income.

(v) The cumulative effect of the accounting change in the fiscal year ended January 31, 1995 would be excluded from net income and taken directly to retained earnings under Canadian GAAP.

(vi) Other differences between U.S. and Canadian GAAP are immaterial.

MANAGEMENT'S REPORT

The Company's management is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including the estimates and judgments required for such preparation.

The Company has a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and financial records underlying the financial statements properly reflect all transactions. The system contains self-monitoring mechanisms, including a program of internal audits, which allow management to be reasonably confident that such controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. Management believes that its long-standing emphasis on the highest standards of conduct and business ethics, as set forth in written policy statements, serves to reinforce the system of internal accounting controls. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

The Company's independent accountants, Price Waterhouse LLP, review the system of internal accounting controls to the extent they consider necessary to evaluate the system as required by generally accepted auditing standards. Their report covering their audits of the financial statements is presented below.

The Audit Committee of the Board of Directors, solely comprising Directors who are not officers or employees of the Company, meets with the independent accountants, the internal auditors and management to ensure that each is discharging its respective responsibilities relating to the financial statements. The independent accountants and the internal auditors have direct access to the Audit Committee to discuss, without management present, the results of their audit work and any matters they believe should be brought to the Committee's attention.

EDGAR BRONFMAN, JR.
PRESIDENT AND CHIEF EXECUTIVE OFFICER

ROBERT W. MATSCHULLAT
VICE CHAIRMAN AND CHIEF FINANCIAL OFFICER

August 13, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of The Seagram Company Ltd. We have audited the accompanying consolidated balance sheet of The Seagram Company Ltd. and its subsidiaries as of June 30, 1997 and 1996 and January 31, 1996 and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year ended June 30, 1997, the transition period ended June 30, 1996 and for each of the two fiscal years in the period ended January 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the U.S. and Canada. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of the Company and its subsidiaries as of June 30, 1997 and 1996 and January 31, 1996 and the results of their operations and their cash flows for the fiscal year ended June 30, 1997, the transition period ended June 30, 1996 and for each of the two fiscal years in the period ended January 31, 1996, in accordance with generally accepted accounting principles in the U.S. which, in their application to the Company, conform in all material respects with generally accepted accounting principles in Canada.

The Company changed its accounting for postemployment benefits other than pensions, under generally accepted accounting principles in the U.S., during the fiscal year ended January 31, 1995, as described in Note 11.

Price Waterhouse LLP

PRICE WATERHOUSE LLP

New York, New York
August 13, 1997

QUARTERLY DATA

U.S. Dollars in Millions, Except Per Share Amounts (Unaudited)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year Ended June 30, 1997
Revenues	$ 2,944	$ 3,749	$ 2,847	$ 3,020	$ 12,560
Operating income	285	401	126	121	933
Net income	$ 166[1]	$ 161	$ 27	$ 148[2]	$ 502
Net income per share	$ .45	$ .43	$ .07	$ .40	$ 1.36[3]

	First Quarter	Two Months Ended June 30, 1996	Transition Period Ended June 30, 1996
Revenues	$ 2,520	$ 2,493	$ 5,013
Operating income	140	39	179
Net income	$ 23	$ 62[4]	$ 85
Net income per share	$ .06	$ .17	$ .23

	First Quarter	Second Quarter	Third Quarter[5]	Fourth Quarter	Fiscal Year Ended January 31, 1996
Revenues	$ 1,282	$ 1,883	$ 2,917	$ 3,665	$ 9,747
Operating income	150	179	21	234	584
Income (Loss) before discontinued DuPont activities	59	89	(55)	81	174
Discontinued DuPont activities	3,232	–	–	–	3,232
Net Income (Loss)	$ 3,291	$ 89	$ (55)	$ 81	$ 3,406
Earnings Per Share					
Income before discontinued DuPont activities	$ .16	$ .24	$ (.15)	$ .21	$ .46
Discontinued DuPont activities	8.67	–	–	–	8.67
Net Income (Loss)	$ 8.83	$ .24	$ (.15)	$ .21	$ 9.13

[1] Includes a $39 million after-tax gain on the sale of DuPont warrants.

[2] Includes a $100 million after-tax gain on the sale of Time Warner shares.

[3] Each quarter is calculated as a discrete period and the sum of the four quarters does not equal the full year amount.

[4] Includes a $67 million tax benefit relating to a settlement with the U.S. government regarding the recognition of a capital loss on the Company's 1981 exchange of shares of Conoco Inc. for common stock of DuPont.

[5] Includes a $290 million pretax charge for reengineering activities.

FINANCIAL SUMMARY

U.S. Dollars in Millions, Except Per Share Amounts	Fiscal Year Ended June 30, 1997	Transition Period Ended June 30, 1996	1996
INCOME STATEMENT			
Revenues	$ 12,560	$ 5,013	$ 9,747
Gain on divestitures, net	–	–	–
Operating income	933	179	584
Interest, net and other	34	114	235
Income before discontinued DuPont activities and cumulative effect of accounting change	502	85	174
Discontinued DuPont activities, after tax	–	–	3,232
Income Before Cumulative Effect of Accounting Change	502	85	3,406
Cumulative effect of accounting change, after tax	–	–	–
Net Income (Loss)	$ 502	$ 85	$ 3,406
FINANCIAL POSITION			
Current assets	$ 6,954	$ 6,886	$ 6,640
Common stock of DuPont	1,034	651	631
Common stock of Time Warner	1,291	2,228	2,356
Other noncurrent assets	11,657	11,863	11,728
Total assets	20,936	21,628	21,355
Current liabilities	3,517	4,687	3,854
Long-term indebtedness	2,494	2,562	2,889
Total liabilities	9,663	10,584	10,183
Minority interest	1,851	1,839	1,844
Shareholders' equity	9,422	9,205	9,328
Total liabilities and shareholders' equity	20,936	21,628	21,355
CASH FLOW DATA			
Cash flow from continuing operations	2,146	903	1,025
Capital expenditures	(507)	(305)	(433)
Other investing activities, net	749	(1,024)	1,308
Dividends paid	(239)	(112)	(224)
PER SHARE DATA			
Continuing operations	$ 1.36	$ .23	$ .46
Discontinued DuPont activities	–	–	8.67
Income Before Cumulative Effect of Accounting Change	1.36	.23	9.13
Cumulative effect of accounting change, after tax	–	–	–
Net Income (Loss)	$ 1.36	$ .23	$ 9.13
Dividends paid	$ .645	$ .30	$ .60
Shareholders' equity	25.79	24.67	24.91
End-of-year share price			
New York Stock Exchange	40.25	33.63	36.38
Canadian Stock Exchanges	C$ 55.50	C$ 45.75	C$ 49.75
Average shares outstanding (thousands)	369,682	373,858	373,117
Shares outstanding at year-end (thousands)	365,281	373,059	374,462

Fiscal Years Ended January 31,

1995	*1994*	*1993*	*1992*	*1991*	*1990*	*1989*	*1988*
$ 6,399	$ 6,038	$ 6,101	$ 6,345	$ 6,127	$ 5,582	$ 5,056	$ 3,815
–	–	–	201	–	–	–	–
725	754	762	961	708	574	425	286
362	319	312	320	325	289	229	71
194	283	293	430	241	171	125	151
617	96	181	297	515	540	464	370
811	379	474	727	756	711	589	521
(75)	–	(1,374)	–	–	–	–	–
$ 736	$ 379	$ (900)	$ 727	$ 756	$ 711	$ 589	$ 521
$ 4,265	$ 3,794	$ 3,836	$ 4,327	$ 3,970	$ 3,289	$ 3,182	$ 2,950
3,670	3,154	3,315	4,566	4,504	4,216	3,879	3,587
2,043	1,769	–	–	–	–	–	–
3,014	3,001	2,953	2,983	3,003	2,708	2,636	1,006
12,992	11,718	10,104	11,876	11,477	10,213	9,697	7,543
4,091	2,996	2,003	1,896	3,130	2,491	1,994	1,394
2,841	3,053	2,559	3,013	2,038	2,011	2,330	1,058
7,472	6,717	5,174	5,393	5,525	4,856	4,723	3,086
11	–	–	–	–	–	–	–
5,509	5,001	4,930	6,483	5,952	5,357	4,974	4,457
12,992	11,718	10,104	11,876	11,477	10,213	9,697	7,543
519	470	310	543	(28)	71	101	(59)
(172)	(163)	(168)	(215)	(309)	(206)	(142)	(89)
(465)	(1,567)	184	190	168	238	(1,768)	196
(216)	(209)	(205)	(189)	(174)	(135)	(113)	(100)
$ .52	$ .76	$ .78	$ 1.14	$ .64	$ .44	$ .33	$ .39
1.66	.26	.48	.78	1.37	1.40	1.20	.97
2.18	1.02	1.26	1.92	2.01	1.84	1.53	1.36
(.20)	–	(3.64)	–	–	–	–	–
$ 1.98	$ 1.02	$ (2.38)	$ 1.92	$ 2.01	$ 1.84	$ 1.53	$ 1.36
$ .58	$ .56	$ .545	$ .50	$ .463	$ .35	$ .294	$ .263
14.79	13.43	13.19	17.08	15.87	14.03	12.66	11.76
28.75	30.75	25.13	29.94	22.25	18.72	17.78	13.78
C$ 40.50	C$ 40.63	C$ 32.00	C$ 35.06	C$ 25.81	C$ 22.22	C$ 21.13	C$ 17.50
372,499	373,051	375,871	378,839	376,664	385,524	385,460	381,912
372,537	372,489	373,690	379,480	374,972	381,820	392,856	379,144

DIRECTORY

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Tory Tory DesLauriers & Binnington (attorneys)

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Marie-Josée Kravis, O.C. [2,4]
Senior Fellow,
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(a non-profit economics research institute)

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(a subsidiary of the Corporation)

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Goldman, Sachs & Co.
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A. Jean de Grandpré, C.C., Q.C.
Alain de Gunzburg
The Hon. Ian D. Sinclair, O.C.
Sir Iain Tennant, K.T.
John L. Weinberg

Honorary Secretary

Alan A. Sharp

(1) *Member of the Audit Committee*
(2) *Member of Corporate Governance Committee*
(3) *Member of the Executive Committee*
(4) *Member of the Human Resources Committee*

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Edgar M. Bronfman
Chairman of the Board

The Hon. Charles R. Bronfman, P.C., C.C
Co-Chairman of the Board and Chairman of the Executive Committee

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President and Chief Executive Officer

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Vice Chairman and Chief Financial Officer

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Human Resources

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President and Chief Executive Officer,
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Legal and Environmental Affairs

Gabor Jellinek
Vice President, Production

Arnold M. Ludwick
Vice President

John R. Preston
Vice President, Finance

Michael C.L. Hallows
Secretary

SHAREHOLDER INFORMATION

Annual Meeting of Shareholders The Annual Meeting of Shareholders will be held on Wednesday, November 5, 1997, at 11:30 a.m. (E.S.T.) at The Queen Elizabeth Hotel, 900 René-Lévesque Boulevard West, Montreal, Quebec.

Independent Accountants Price Waterhouse LLP

Stock Symbol VO

Stock Exchange Listings Montreal, Toronto, Vancouver, New York and London

Transfer Agents and Registrars
CIBC Mellon Trust Company, 2001 University Street, 16th Floor, Montreal, Quebec H3A 2A6
CIBC Mellon Trust Company, Lower Level, 393 University Avenue, Toronto, Ontario M5G 2M7
CIBC Mellon Trust Company, 600 The Dome Tower, 6th Floor, 333-7th Avenue, S.W., Calgary, Alberta T2P 2Z1
CIBC Mellon Trust Company, Mall Level, 1177 West Hastings Street, Vancouver, B.C. V6E 2K3
ChaseMellon Shareholder Services L.L.C., P.O. Box 590, Ridgefield Park, N.J. 07660

Seagram Investor Relations
The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or
Joseph E. Seagram & Sons, Inc., 375 Park Avenue, New York, N.Y. 10152
Joseph M. Fitzgerald – Vice President, Investor Relations (212) 572-7282
Maureen S. Hannan – Senior Director, Investor Relations (212) 572-1397

Requests for a copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., and other corporate information, should be directed to Seagram Investor Relations as listed above.

World Wide Web Site Access available second quarter, fiscal 1998 — www.seagram.com

Shareholder Inquiries Shareholder inquiries should be addressed to: Shareholder Services, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9, telephoned to (514) 987-5209, or E-mailed to SHAREHOLDERS*ACTIONNAIRES@SEAGRAM.COM

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